Fiscal Note

State of Alaska
2022 Legislative Session

Bill Version:	SCS CSHB 104(TRA)
Fiscal Note Number:	8
(S) Publish Date:	5/16/2022

Identifier: HB104SCSCS(TRA)-DOR-TAX-5-13-22
Title: REFINED FUEL SURCHARGE; SUSP MTR FUEL TAX
Sponsor: JOSEPHSON
Requester: (S) Finance

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2023 Appropriation Requested	Included in Governor's FY2023 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2023**	**FY 2023**	**FY 2024**	**FY 2025**	**FY 2026**	**FY 2027**	**FY 2028**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Fund Source (Operating Only)

None							
Total	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1005 GF/Prgm (DGF)	1,350.0		3,200.0	3,200.0	3,200.0	3,100.0	3,100.0
1251 Non-UGF (Other)	(40,300.0)		(3,300.0)				
Total	**(38,950.0)**	**0.0**	**(100.0)**	**3,200.0**	**3,200.0**	**3,100.0**	**3,100.0**

Estimated SUPPLEMENTAL (FY2022) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2023) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No

(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 06/30/22

Why this fiscal note differs from previous version/comments:

Beginning in FY2022, the Department classifies the refined fuel surcharge as Designated General Fund revenue based on an agreement between the Office of Management and Budget, the Legislative Finance Division, and the Department of Revenue. This version is updated for the current Senate committee substitute (bill version D) that proposes to suspend the motor fuel tax and increase the motor fuel surcharge. The most recent bill change is the exemption of foreign exports from the surcharge.

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Division:	Tax Division	Date:	05/13/2022 10:30 AM
Approved By:	Eric DeMoulin, Administrative Services Director	Date:	05/13/22
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2022 LEGISLATIVE SESSION

Analysis

Background
Alaska has had an excise tax on motor fuel since 1945, with the basic structure unchanged since its inception. In 2015, a surcharge of $0.0095 was added to certain motor fuels as well as other refined fuels such as home heating oil.

This bill would increase the motor fuel surcharge from $0.0095 per gallon to $0.0150 per gallon, would exempt fuel that is refined in Alaska and exported to foreign countries from the surcharge, and would have an effective date of January 1, 2023. This bill would suspend the motor fuel tax the first day of the month following an immediate effective date through June 30, 2023. A provision with an immediate effective date becomes effective on the day after it is signed by the Governor. For purposes of this fiscal note, the Department assumes that the tax suspension would go into effect on June 1, 2022, and end June 30, 2023.

Revenue Impact
The Department of Revenue (Department) used data from its Spring 2022 forecast to analyze the revenue impacts of this bill. It is estimated that the increased refined fuel surcharge rate would generate $1.6 million for FY2023 and $3.7 million for FY2024, decreasing to $3.6 million in FY2028. For purposes of estimating the revenue impact of the foreign exports surcharge exemption, the Department used historical data from FY2019 - 2021 to average surcharge collections for fuel refined in Alaska and exported to foreign countries (~$500,000 per year). $250,000 was deducted in FY2023, which represents a half year of revenue impact. $500,000 was deducted in each year from FY2024 - 2028. The net total revenue impact of the surcharge provisions are reflected as 1005 General Fund Program Receipts (GF/PR).

For purposes of estimating the revenue impact of the Motor Fuel Tax suspension, the Department assumed that the tax suspension would go into effect on June 1, 2022, and end June 30, 2023. There is a one-month timing shift in accounting for Motor Fuel Tax revenue since the tax payments are not due until the last day of the month following the month the tax liability is incurred. Therefore, for FY2023 the Department estimates that the suspended Motor Fuel Tax would result in a loss of $35.2 million and $5.1 million in Aviation Fuel Tax revenue. These changes to revenue were combined and are reflected as Non-UGF (Other) (code 1251).

Although the Motor Fuel Tax suspension would be lifted effective July 1, 2023, due to the one-month timing shift noted above, the Department estimates for FY2024 that the suspended Motor Fuel Tax would result in a loss of $2.9 million and $0.4 million to Aviation Fuel Tax revenue. These changes to revenue were combined and are reflected as Non-UGF (Other) (code 1251).

Motor fuel and refined fuel consumption estimates are based on historical data reported on monthly tax returns and tracked in the Tax Revenue Management System (TRMS), combined with national consumption projections from the Energy Information Administration. The revenue estimates make no adjustment for possible changes in behavior due to the surcharge change.

Implementation Cost
This legislation would not require the Department to make material changes to TRMS. Therefore, there would be no cost to the Department for implementation. After the implementation of the changes, this legislation would cause a small additional administrative burden on the Department. Resources required to implement this bill would include staff time to write regulations, update tax forms, update programming in TRMS and Revenue Online, and other miscellaneous costs when applicable. These costs will be absorbed by the Tax Division using existing resources.