

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 HOUSE JOINT RESOLUTION NO. 68

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 Urging Congress to restore the exemption
6 from the federal excise tax on taxable
7 fuels for certain diesel fuel users.

8 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 WHEREAS the State of Alaska has an extensive coastline, an economy
10 dependent on resource extraction and development, and long transportation
11 lines between principal commercial centers; and

12 WHEREAS transportation, commerce, and economic development in the
13 state are greatly dependent on the use of tax exempt fuels, especially
14 diesel fuel, by marine fuel consumers and by other fuel users engaged in
15 resource development and transportation; and

16 WHEREAS the federal government has long exempted from the excise tax
17 diesel fuel sold by a wholesale dealer to the ultimate consumer of the
18 fuel; and

19 WHEREAS, under the provision that allowed tax-free sales for certain
20 exempt sales purposes, most Alaskans who purchased diesel fuels for off-
21 road use involving, among other activities, commercial fishing, timber,
22 mining, farming, ranching, and marine transportation operations, did not
23 pay the federal excise tax; and

24 WHEREAS the Omnibus Budget Reconciliation Act (P.L. 100-203) requires
25 the collection of diesel fuel taxes at the wholesale level and repeals the
26 provision allowing tax-free sales of diesel and other fuels for certain
27 exempt purposes; and

28 WHEREAS, under that Act, effective April 1, 1988, except for sales of
29 fuel destined for use as heating oil, all sales involving diesel fuel

1 beyond the wholesale level are subject to the excise; and

2 WHEREAS, to implement authority given to the United States Treasury to
3 make exemptions from the tax, regulations proposed by the Internal Revenue
4 Service establish a system by which persons who qualify for exemption from
5 the federal excise tax and who claim the benefit of exemption may, with
6 documentation of the fuel's nontaxable use, apply for a refund of the
7 amount of the excise tax that the person has paid, either quarterly, if the
8 person pays more than \$1,000 per calendar quarter, or annually, as an
9 adjustment to the person's individual income tax; and

10 WHEREAS the tax collection procedure imposed by this Act requires each
11 purchaser of diesel fuel in the marketing chain to remit the tax, adding to
12 the heavy cash flow burden of each party; and

13 WHEREAS the repeal of the exemption and substitution of the refund
14 system will have a generally negative effect on the state's domestic econo-
15 my by reducing the profit margins of many small ventures engaged in ag-
16 riculture, commercial fishing, and other resource extraction and develop-
17 ment activities; and

18 WHEREAS, in a highly competitive seafood industry that is undercapi-
19 talized and often economically uncertain, repeal of the exemption and
20 imposition of the federal excise tax, even with a refund provision, will
21 have an extraordinarily detrimental effect by making it more difficult for
22 domestic marine fuel suppliers and consumers who use the fuel in fishery
23 activities to compete against foreign flag operators;

24 BE IT RESOLVED by the Alaska State Legislature that the Alaska Con-
25 gressional delegation is urged to introduce and support passage of legis-
26 lation restoring the exemption from payment of the federal excise tax on
27 sales of diesel fuel in place of the amendments made by the Omnibus Budget
28 Reconciliation Act.

29 COPIES of this resolution shall be sent to the Honorable Ted Stevens

1 and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don
2 Young, U.S. Representative, members of the Alaska delegation in Congress.