

SB

224

Introduced: 2/13/79  
Referred: Commerce and  
Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY  
REQUEST OF THE GOVERNOR

2 SENATE BILL NO. 224

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the motor fuel tax; and providing  
7 for an effective date."

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

9 \* Section 1. AS 43.40.010(a) is amended to read:

10 *wants to* (a) There is levied a tax of 19 per cent of the retail value of  
11 each [EIGHT CENTS A] gallon on all motor fuel sold or otherwise trans-  
12 ferred within the state, except that

13 (1) the tax on aviation gasoline is 14 per cent of the  
14 retail value of each [FOUR CENTS A] gallon,

15 (2) the tax on motor fuel used in and on watercraft of all  
16 descriptions is six per cent of the retail value of each [FIVE CENTS  
17 A] gallon, and

18 (3) the tax on all aviation fuel other than gasoline is  
19 nine per cent of the retail value of each [TWO AND ONE-HALF CENTS A]  
20 gallon.

21 \* Sec. 2. AS 43.40.010(b) is amended to read:

22 (b) There is levied a tax of 19 per cent of the retail value of  
23 each [EIGHT CENTS A] gallon on all motor fuel consumed by a user,  
24 except that

25 (1) the tax on aviation gasoline consumed is 14 per cent of  
26 the retail value of each [FOUR CENTS A] gallon,

27 (2) the tax on motor fuel used in and on watercraft of all  
28 descriptions is six per cent of the retail value of each [FIVE CENTS  
29 A] gallon, and

*Don Ferguson  
delete the  
entire  
bill  
except  
this*

1 (3) the tax on all aviation fuel other than gasoline is  
2 nine per cent of the retail value of each [TWO AND ONE-HALF CENTS A]  
3 gallon.

4 \* Sec. 3. AS 43.40.010 is amended by adding a new subsection to read:

5 (1) The Department of Revenue shall annually determine the  
6 retail value of the motor fuels taxed under this chapter and, after  
7 applying the percentages set out in this section, shall, by regulation  
8 adopted no later than May 1 of each year, establish the applicable  
9 cents-per-gallon rates to be applied on a uniform, statewide basis to  
10 each category of motor fuel. These rates become effective on the  
11 first day of the next tax year.

12 \* Sec. 4. AS 43.40.030(a) is amended to read:

13 (a) Except as specified in sec. 10(j) of this chapter, a person  
14 who uses motor fuel to operate an internal combustion engine is  
15 entitled to a refund of 40 per cent of the state tax on each [SIX  
16 CENTS A] gallon if

17 (1) the tax on the motor fuel has been paid;

18 (2) the motor fuel is not aviation fuel, or motor fuel used  
19 in or on watercraft; and

20 (3) the internal combustion engine is not used in or in  
21 conjunction with a motor vehicle licensed to be operated on public  
22 ways.

23 \* Sec. 5. AS 43.40.100 is amended by adding new paragraphs to read:

24 (4) "retail value" means the average retail price of motor  
25 fuel in each category for the previous calendar year, calculated by  
26 the Department of Revenue, based on a statewide statistical sample  
27 taken from, at least, 10 representative communities in the state on a  
28 monthly basis and published in a report to be submitted each year to  
29 the legislature no later than January 30 for that year;

1 (5) "tax year" means the period commencing on July 1 and  
2 ending on June 30 of the following calendar year.

3 \* Sec. 6. TRANSITION. For the first tax year under this Act, the  
4 Department of Revenue shall determine the applicable retail values and  
5 rates of taxation under this Act for the 1979 tax year, calculated on the  
6 basis of statistical data compiled by the department in accordance with AS  
7 43.40.100(4) for the period between the effective date of this Act and  
8 September 1, 1979. The Department of Revenue shall promulgate those rates  
9 no later than November 1, 1979. These rates become effective January 1,  
10 1980, and remain in effect until substituted rates are established for the  
11 tax year commencing on July 1, 1980.

12 \* Sec. 7. This Act takes effect immediately in accordance with AS  
13 01.10.070(c).

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**AUTOMOBILE OPERATORS** would face heavy new tax burdens if the Legislature adopts a proposal to change the gasoline taxes from a flat rate to a sliding scale based on retail prices. The new tax measure was recommended by Gov. Jay Hammond as one way to build up the general fund so that the state can have more money in its operational budget.

Gasoline that now retails at 75 cents a gallon would cost 79.7 cents a gallon under the new law. The present eight-cent tax that is included in the 75 cents would become a big 12.7 cents bite out of the 79.7 cent price. This would be a 59 percent tax increase for the motorist.

More frightening would be the prospect of paying higher and higher state taxes as the retail prices of gasoline increase this spring and summer. Gas that would sell for 80 cents under the present law would cost 85.6 cents under the new law. As prices continue to rise, the motorists would find their tax load increased 117 percent by the time gas is \$1 a gallon. Gas that would sell for \$1 under the present law would cost \$1.09½ under the proposed law.

The new law would hit the motorist's pocketbook this way: a 20-gal. tankful that now costs \$15 would cost \$15.94 immediately and as the retail price exceeded 75 cents a gallon, the total cost would increase further. When the retail price gets to \$1 a gallon, the same 20-gallon tankful would cost \$21.83.

**STATE STATISTICS** show that 62 percent of all motor vehicles are registered in Anchorage. Another 18 percent are registered in Fairbanks, Juneau and Ketchikan. Thus 80 percent of them are in the four cities.

Collections from motor fuel taxes were \$24.5 million during the year ended last June 30. A 5 percent increase in this tax revenue would take \$14.5 more away from the motorists than at present. If the retail price climbs and the tax rate is increased 117 percent, the extra pinch on the taxpayer would be \$28.7 million.

Fuel for aircraft and boats would also come under the new tax with automatic escalation as the retail prices climb. Aviation gas is taxed under existing law at a flat rate of four cents a gallon. Under the new law this would be replaced by a tax of 14 percent of its retail price.

Thus aviation gas that now retails at \$1 a gallon would become \$1.09½ a gallon. If aviation gas prices climb, the gas that would under present law cost \$1.30 a gallon would be \$1.53½ under the proposed law. This would mean the operator of a small plane that burns 15 gallons an hour would have his operating costs increased \$1.41 an hour immediately and \$2.04 if the gas price

climbs to \$1.30.

Other aviation fuels, for jet aircraft, would also be subject to an escalating tax. Domestic airlines would be hit hard. Many international airlines would escape this tax because they use fuels brought to Anchorage under bond and delivered free of state taxes.

**THIS TAX CHANGE** would be obnoxious to all motor vehicle operators. It discriminates against them by compelling them, as a special category, to provide additional funds for the general operations of the state.

The state budget is already slanted against the urban centers and in favor of rural areas. Everybody is facing the pinch of local tax increases from their local governments because the state is not providing a fair share of the state revenue-sharing funds.

The 1980 budget now before the Legislature provides no increase in revenue-sharing funds for the state's municipalities. That means that the cities will receive less than in 1979 because of the inflation factor. The state pays only 80 percent of the cost of school buildings in the larger cities while it pays 100 percent of the cost in rural communities.

Only minor increases have been proposed for those state programs that aid the people of the cities, more than half the state's population. The budget calls for an increase of 2.7 percent in the work incentive program, 6.2 percent increase in child assistance, 6.6 in public health nursing, 4.8 in environmental health and only .6 percent in family health.

For rural areas, however, the increases run much higher. The budget calls for 20 percent increase in aid for commercial fishing, 69 percent in fish and wildlife and subsistence programs, 29 percent in village water programs, 24 percent in remote village radio programs.

It is high time that Alaskans in the urban centers should become aware of the unfair treatment they are getting from the legislature when state budgets are drafted.

Urban residents are getting to be like the big oil companies that have been the target of the legislature for discriminatory taxation. A difference is, however, that oil companies can leave Alaska. Alaskans can't. Another difference is that Alaskans vote and that makes elected officials more sensitive them.

An organized presentation should be made by gasoline users — and that includes most all urban residents — of their opposition to the proposed changes in the gasoline tax. Indeed, some kind of rebellion against the unfair budgeting of state funds, as well as discriminatory taxation, is long overdue.

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ALASKA AIR CARRIERS ASSOCIATION

*Jim Wilson*

SB 224

FOR THE MAJORITY OF THIS TESTIMONY, I AM REPRESENTING THE ALASKA AIR CARRIERS ASSOCIATION, WHICH REPRESENTS AN \$83 MILLION GROSS REVENUE INDUSTRY OF THIS STATE. THE MEMBER CARRIERS REPRESENT 85 TO 90% OF THE TOTAL REVENUE GENERATED, AND WE ARE OPPOSED TO SB 224.

I AM OPPOSED TO SB 224 AND ANY INCREASE IN MOTOR FUEL TAX.

WITH THE COST OF FUEL INCREASING ALL TOO FREQUENTLY, I BELIEVE WE WOULD BE CREATING AN UNDUE ADDED EXPENSE TO ALL USERS. THIS PROPOSED CHANGE IN MOTOR FUEL TAX WOULD COST OUR INDUSTRY AN ADDITIONAL 2.9 MILLION ACCORDING TO DEPARTMENT OF REVENUE FIGURES. I BELIEVE THAT FIGURE IS LOW BECAUSE THEIR FIGURES ARE NOT EVEN ON CURRENT RETAIL PRICES, THAT IS AVIATION FUELS ONLY.

THE DEPARTMENT OF REVENUE HAS HAD A SUBSTANTIAL INCREASE IN MOTOR FUEL TAX COLLECTED DURING THE PAST 10 YEARS, SOMETHING ON THE ORDER OF 42% PER YEAR. OUR BUSINESS HAS HAD LESS THAN 6% PER YEAR. IN 1968 TOTAL REVENUE FROM AVIATION MOTOR FUEL TAX WAS \$778,000; IN 1978 IT WAS \$3.3 MILLION - THAT'S OVER 400%. THERE ARE SEVERAL AREAS IN THE STATE WHERE THIS TAX IS NOT ALWAYS COLLECTED.

(EXAMPLE: PEOPLE HAVE BBL FILLED AT BULK PLANT, NOT PUT INTO AIRCRAFT)  
IF ALL DISTRIBUTORS WERE REQUIRED TO COLLECT THE TAX, IT WOULD CREATE AN INCREASE IN REVENUE, WITHOUT AN INCREASE IN TAX.

THIS BILL WOULD ENPOWER THE DEPARTMENT OF REVENUE TO ESTABLISH AVERAGE RETAIL VALUE. I QUESTION THEIR ABILITY TO DO THIS, THEY ARE USING THE AIRLINE CONTRACT PRICE FOR JET FUEL IN THE ESTIMATE AND I DON'T THINK THEY KNOW WHERE THEY GOT THE PRICE FOR AVIATION GAS.

(EXAMPLE: JET - DEPT. OF REVENUE PRICE           \$.45

LIVINGSTON BULK RATE                           \$.497

JUNEAU AIRPORT RETAIL W/O TAX   \$.692 UNDER 50 GALLONS

\$.597 ~~UNDER~~ 50 GALLONS

OVER

I CAN SEE ADDITIONAL PERSONNEL NEEDED TO ADMINISTER THIS EXTRA WORK LOAD, WE DON'T NEED TO ADD TO THE BUREAUCRACY.

I WILL GIVE AN EXAMPLE OF WHAT THIS PROPOSED CHANGE IN TAX STRUCTURE WILL DO. USING 100,000 GALLONS, WHICH WILL REPRESENT ABOUT 4000 FLIGHT HOURS. TODAY WE PAY \$4000.00 TAX ON AVIATION GAS. UNDER PROPOSED CHANGES, USING CURRENT BULK PRICE (NOT RETAIL PRICE) OF \$.66 PER GALLON, TAX WOULD BE \$9240.00, OR MORE THAN DOUBLE. USING RETAIL PRICE WOULD ADD MORE THAN AN ADDITIONAL \$1500.00 (JUNEAU AIRPORT).

EXAMPLE ON JET FUEL: 100,000 GALLONS REPRESENT ABOUT 3000 FLIGHT HOURS. TODAY WE PAY \$2500 TAX. UNDER PROPOSED CHANGE, USING CURRENT BULK PRICE (NOT RETAIL PRICE) \$.497 PER GALLON, TAX WOULD BE \$4473. USING RETAIL PRICE WOULD INCREASE THIS OVER \$1800 (JUNEAU AIRPORT).

AS YOU CAN SEE, THIS TAX CHANGE WOULD DOUBLE THE EXISTING TAX COLLECTED, ASSUMING NO INCREASE IN VOLUME. ALSO, AS PRICE OF FUEL ESCALATES, TAX WOULD ESCALATE ALSO, A VICIOUS CIRCLE.

THE DEPARTMENT OF REVENUE IS ESTIMATING THIS TAX WILL GENERATE <sup>a</sup>\$10,000,000 INCREASE IN MOTOR FUEL TAXES. I QUESTION THOSE FIGURES. EXAMPLE: \$.45 ON JET, AND OUR BULK PRICE IS \$.497. JET IS RETAILING AT THE JUNEAU AIRPORT AT \$.692 + TAX.

THE EXTRA EXPENSES WILL HAVE TO BE PASSED ON TO THE CONSUMER, YOUR CONSTITUENTS - OUR CUSTOMERS. WE ARE ALREADY FACED WITH HIGH INFLATION, ALL THESE REVISED TAXES WOULD DO IS ADD FUEL TO OUR RATE OF INFLATION.

AGAIN, THE ALASKA AIR CARRIERS ASSOCIATION AND ALL MEMBERS, REPRESENTING 80 TO 95% OF THE AIR TRANSPORTATION SYSTEM IN THIS STATE, ARE OPPOSED TO SB 224. WE ARE MORE THAN PREPARED TO DO WITHOUT WHATEVER SERVICES, IF ANY, THIS TAX WOULD CREATE. THERE IS NO GUARANTEE WE WOULD SEE ANY OF THE TAX <sup>#</sup> BECAUSE IT GOES TO THE GENERAL FUND.

THANK YOU

PHIL R. HOLDSWORTH, P.E.  
CONSULTING ENGINEER & LEGISLATIVE COUNSEL  
MINING - GEOLOGY - LANDS

PHONE 907-586-1383

326 FOURTH STREET No. 1009  
JUNEAU, ALASKA 99801

February 25, 1979

Mr. William I. Waugaman  
P. O. Box 80589  
College, Alaska 99708

Dear Bill:

There has been no action on SB 224 to date but am requesting an opportunity to testify if it comes up in Sen. Bradley's Commerce Committee. As I interpret the bill the following would result:

Sec. 431401010(a) - Motor fuel tax.

Gasoline - 8¢ to 17¢ or a 112.5% increase  
Diesel - 8¢ to 10¢ or a 25% increase

(a)(1) - Aviation gasoline.

4¢ to 12.6¢ or a 215% increase

(a)(2) - Watercraft use.

Gasoline - 5¢ to 5.1¢ or a 2% increase  
Diesel - 3¢ to 3.2¢ or a 36% decrease

(a)(3) - Aviation other than gasoline.

2.5% to 4.8% or a 92% increase

Sec. 43.40.030(a) - Refund on off-highway use.

Present law - 6¢ on an 8¢ tax or 75%

New law - Gasoline 6.8¢ on a 17¢ tax or 40%  
Diesel - 4¢ on a 10¢ tax or 40%

Where the present law results in a final tax of 2¢ per gallon for off-highway use, the new law would result in a tax of 10.2¢ for gasoline and 6¢ for diesel, or an increase of 410% and 200% respectively.

From the above you can see that the hardest hit are the off-highway users of gasoline. Next are the users of aviation gasoline, followed closely by the off-highway users of diesel.

These latter two groups are certain to register strong objections to the proposal, particularly when bush plane service and heavy equipment operations for road construction and mining are essential to maintain the present level of travel and employment.

The other two groups who will also oppose this legislation are the highway travelers (over 100% tax increase), and the scheduled airlines using jet fuel (a 92% increase). The only users who would have their present tax reduced are commercial fishermen, tug boat operators, etc. using diesel for fuel (a 36% decrease). Overall I would say that the passage of this legislation could result in "unequal treatment" of various classes of users, and could probably be shot down on that basis.

SB-224.

Jim Wilson.

Alaska Air Carriers.  
Livingston Chapter.  
\$183,000, 100 goose Revenue.

Oppose SB-224.

Ex.

→ 100,000 gal. = 4,000 flight hours.  
some cases will > cost 100%

(Ben - Ben)

50% of fuel tax comes from the trucking industry.

Ben is concerned about the word "Average" in the bill. You can determine your own average!

John Messenger D. of Renew →  
Projected Revenue 216 mil.

Phil Holsworth

Motor fuel  
7¢ to 14¢

Aviation gas.  
4¢ to 12.6¢

Water Use fuel  
gas 5¢ to 5.1¢  
diesel 5¢ to 3.2¢ 36% ↓

off highway use.

now 75% refund  
if passed this refund is reduced!

DO-T. - In favor of Tax >

# New Tax On Motorists

**AUTOMOBILE OPERATORS** would face heavy new tax burdens if the Legislature adopts a proposal to change the gasoline taxes from a flat rate to a sliding scale based on retail prices. The new tax measure was recommended by Gov. Jay Hammond as one way to build up the general fund so that the state can have more money in its operational budget.

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