

HB

40

COMMITTEE REPORT

HOUSE

FINANCE

FURTHER:

2/11/33

Date: 3/21/83

Mr. Speaker:

The Committee on TRANSPORTATION has had SSHB 40

An Act repealing the motor fuel tax (AS 43.40); and providing for an effective date.

under consideration and reports it back as follows:

- do pass do not pass
- do pass with attached amendments(s) same title
- replace with CS for _____ new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation Zero Fiscal Note Attached
- referred to the T Committee

**MEMBERS SIGNING
DO PASS**

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

M.W. Miller No Rec.

Clifford Anderson Do Not Pass

Mike Davis No Rec

CHAIRMAN

A M E N D M E N T

OFFERED IN THE HOUSE: Transportation
Committee

By: _____

To: _____ HOUSE BILL No. SS. House Bill 40

SENATE BILL No. _____

PAGE: 1

LINE: 10-13

Delete Section 2

STATE OF ALASKA
PRELIMINARY STATEMENT OF FISCAL IMPACT

Bill No: SS HB 40 Date on Bill: 2/11/83
 Title: An act repealing motor fuel tax.
 Sponsor: Haves
 Requestor: House Transportation

1. Estimated fiscal impacts on:

a. Expenditures:

(Thousands of Dollars)

	FY 83	FY 84	FY 85	FY 86
Capital				
Operating	-0-	(65)	(65)	
Total	-0-	(65)	(65)	

b. Revenues:

Revenue	-0-	(48,000)	(33,000)	
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2. Source of funds to offset fiscal impact of bill:

3. Assumptions:

Since the bill would eliminate the Motor Fuel Tax, positions currently allocated to those sources could eventually be eliminated. The elimination of those positions could not occur until sometime in FY 84 because there would be substantial clean up work between now and the several months succeeding the effective date of the bill. The task of refunding the numerous fuel users could be monumental.

The loss in revenues to the state are as a result of repealing highway, marine, and aviation taxes.

4. Disclaimer:

This statement has not been reviewed by the OMB in the Office of the Governor. It therefore does not represent the final estimate of fiscal impact.

Prepared By: Mary Kehler Phone: 465-2300
 Division: Comm. Office Date: 2/28/83
 Approved by Commissioner: [Signature] Date: 2/29/83
 Department: Revenue

5. Distribution:

- Original to Legislative Finance
- Copy to UMB
- Copy to Sponsor
- Copy to Requestor

2/15/83

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§ 43.31.171

REVENUE AND TAXATION

§ 43.40.010

Sec. 43.31.171. Civil penalties.

Repealed by § 45 ch 113 SLA 1980.

Cross references. — For present provisions concerning civil penalties, see AS 43.05.220.

Editor's notes. — The repealed section derived from § 2, ch. 24, SLA 1970; § 3, ch. 166, SLA 1976.

Section 52, ch. 113, SLA 1980 makes the repeal of this section applicable to tax years beginning after December 31, 1979.

Secs. 43.31.360 — 43.31.390.

Repealed by § 46 ch 113 SLA 1980.

Cross references. — For present provisions concerning criminal penalties, see AS 43.05.290.

Editor's notes. — The repealed sections derived from § 2, ch. 24, SLA 1970.

Chapter 35. Coin-Operated Devices and Punchboards.

Article 1. Coin-Operated Amusement and Gaming Devices.

Section

80. [Repealed]

Sec. 43.35.080. Penalties.

Repealed by § 46 ch 113 SLA 1980.

Cross references. — For present provisions concerning civil penalties, see AS 43.05.220. For present provisions concerning criminal penalties, see AS 43.05.290.

Editor's notes. — The repealed section derived from § 48-3-3 ACLA 1949; § 3, ch. 142, SLA 1960; § 2, ch. 58, SLA 1971.

Chapter 40. Motor Fuel Tax.

Article 1. General Tax Levy on Transfers or Consumption of Motor Fuel.

Section

- 10. Tax on transfers or consumption of motor fuel and expenditure of proceeds
- 20. [Repealed]
- 30. Refund for nonhighway use
- 33. Other refunds and credits

Section

- 40. [Repealed]
- 50. Refund claim by affidavit
- 80. Examination of books and records
- 90. [Repealed]
- 100. Definitions

Sec. 43.40.010. Tax on transfers or consumption of motor fuel and expenditure of proceeds. (a) There is levied a tax of eight cents a gallon on all motor fuel sold or otherwise transferred within the state, except that

(1) the tax on aviation gasoline is four cents a gallon,
 (2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon, and

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(b) There is levied a tax of eight cents a gallon on all motor fuel consumed by a user, except that

(1) the tax on aviation gasoline consumed is four cents a gallon,
 (2) the tax on motor fuel used in and on watercraft of all descriptions is five cents a gallon, and

(3) the tax on all aviation fuel other than gasoline is two and one-half cents a gallon.

(c) Every dealer who sells or otherwise transfers motor fuel in the state shall collect the tax at the time of sale, and remit the total tax collected during each calendar month of each year to the Department of Revenue by the last day of each succeeding month. Every user shall likewise remit the tax accrued on motor fuel actually used by him during each month. At the time the remittance is made, each dealer or user shall submit a statement to the Department of Revenue showing all motor fuel which he has distributed or used during the month.

(d) Repealed by § 3 ch 166 SLA 1976.

(e) Sixty per cent of the proceeds of the revenue from the taxes on aviation fuel, excluding the amount determined to have been spent by the state in its collection, shall be refunded to a municipality owning and operating or leasing and operating an airport in the proportion that the revenue was collected at the municipal airport. All other proceeds of the taxes on aviation fuel shall be paid into a special aviation fuel tax account in the state general fund. The legislature may appropriate funds from this account for aviation facilities.

(f) The proceeds from the revenue from the tax on motor fuel used in boats and watercraft of all descriptions shall be deposited in a special watercraft fuel tax account in the general fund. The legislature may appropriate from this account for water and harbor facilities.

(g) The proceeds of the revenue from the tax on all motor fuels, except as provided in (e), (f) and (j) of this section, shall be deposited in a special highway fuel tax account in the state general fund. The legislature may appropriate funds from it for expenditure by the Department of Public Works directly or as matched with available federal-aid highway money for maintenance of highways, construction of highway projects and ferries included in the program provided for in AS 19.10.150, including approaches, appurtenances and related facilities and acquisition of rights-of-way or easements, and other highway costs including surveys, administration, and related matters. All departments of the state government authorized to spend funds collected from taxes imposed by §§ 10 — 100 of this chapter shall perform, when feasible, all construction or reconstruction projects by

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contract after the projects have been advertised for competitive bids, except that, when feasible, arrangements shall be made with political subdivisions to carry out the construction or reconstruction projects. If it is not feasible for the work to be performed by state engineering forces, the commissioner of public works may contract on a professional basis with private engineering firms for road design, bridge design, and services in connection with surveys. If more than one private engineering firm is available for the work the contracts shall be entered into on a negotiated basis.

(h) All motor fuel tax receipts shall be paid into the general fund and distributed to the proper accounts in the general fund. Valid motor fuel tax refund claims shall be paid from the highway fuel tax account in the general fund.

(i) Within 30 days after the legislature convenes the Department of Public Works shall submit an annual budget covering anticipated revenues and their expenditure, for the consideration and approval by the legislature. The budget shall cover all money collected or anticipated to be collected under §§ 10 — 100 of this chapter for the year following the adjournment of each regular session of the legislature.

(j) The proceeds from the tax on motor fuel used in snow vehicles and, unless a tax refund is applied for under § 40 of this chapter, other internal combustion engines not used in or in conjunction with a motor vehicle licensed to be operated on public ways shall be deposited in a special nonpublic highway use account in the general fund. The legislature may appropriate from this account to the Department of Highways for trail staking and shelter construction and maintenance.

(k) The tax on the transfer or consumption of motor fuel provided for in this section does not apply to liquified petroleum gas.

(l) If a dealer has a reasonable belief at the time of sale or transfer that fuel that is sold or transferred is not to be used as motor fuel, the dealer need not collect the motor fuel tax. If the tax is not collected, the dealer shall obtain a certificate of use from the buyer or transferee stating that the fuel that has been or will be purchased or received is not intended for use as motor fuel. The department may not collect the motor fuel tax from a dealer for fuel for which a certificate of use has been properly obtained under this subsection. The dealer shall retain a copy of each certificate of use obtained under this subsection for examination or audit on request by the department. The form of a certificate of use may be prescribed by regulation adopted by the department. (§ 48-5-2 ACLA 1949; am § 1 ch 80 SLA 1951; am § 1 ch 47 SLA 1955; am §§ 1, 2 ch 27 SLA 1957; am § 1 ch 134 SLA 1957; am § 1 art VI title II ch 152 SLA 1957; am § 2 art V title III ch 152 SLA 1957; am § 2 ch 124 SLA 1959; am §§ 1, 2 ch 20 SLA 1960; am § 1 ch 150 SLA 1960; am § 1 ch 110 SLA 1961; am § 1 ch 136 SLA 1961; am §§ 1 — 3 ch 131 SLA 1962; am § 1 ch 130 SLA 1968; am § 10 ch 143 SLA 1968; am §§ 1, 2 ch 216 SLA 1968; am §§ 1 — 3 ch 158 SLA 1970;

am § 3 ch 58 SLA 1971; am §§ 1, 2 ch 124 SLA 1971; am §§ 2, 3 ch 125 SLA 1971; am §§ 1 — 3 ch 153 SLA 1972; am § 3 ch 166 SLA 1976; am §§ 1, 2 ch 116 SLA 1977; am § 4 ch 82 SLA 1982)

Effect of amendments. — The 1982 amendment, effective June 4, 1982, added subsection (1).

Editor's notes. — Section 15, ch. 82, SLA 1982, provides: "The Department of Revenue may not collect the motor fuel tax from a dealer, as defined in AS 43.40.100(1), on a sale or transfer of motor fuel that occurs before the effective date of this Act [June 4, 1982] if the dealer did not collect the tax from a purchaser or transferee because of a reasonable belief that the fuel was not to be used as motor fuel,

as that term is defined in AS 43.40.100(2), or if the dealer relied upon the purchaser's representation that the fuel would not be used as motor fuel. This section is intended to clarify ambiguities in the existing language of AS 43.40 concerning the party responsible for collecting the tax and to resolve an administrative dispute between certain fuel dealers and the Department of Revenue. For this reason, this section serves the general public interest in the fair and equitable administration of AS 43.40."

Sec. 43.40.020. Penalty for violation.

Repealed by § 46 ch 113 SLA 1980.

Cross references. — For present provisions concerning criminal penalties, see AS 43.05.290.

Editor's notes. — The repealed section derived from § 48-5-3, ACLA 1949; § 4, ch. 153, SLA 1972; § 3, ch. 116, SLA 1977.

Sec. 43.40.030. Refund for nonhighway use. (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to operate an internal combustion engine is entitled to a refund of six cents a gallon if

- (1) the tax on the motor fuel has been paid;
- (2) the motor fuel is not aviation fuel, or motor fuel used in or on watercraft; and
- (3) the internal combustion engine is not used in or in conjunction with a motor vehicle licensed to be operated on public ways.

(b) The entire tax levied by this chapter shall be refunded to the purchaser on that part of the motor fuel used in a foreign country on which the tax has been paid when the fuel is sold and delivered in the state for non-highway use in a foreign country.

(c) The department shall establish the necessary regulations and prescribe the appropriate forms to prove that the motor fuel is taken to and used in foreign countries.

(d) If a person obtains motor fuel on which the tax levied by this chapter has been paid and the motor fuel is exempt from the tax, the person is entitled to a refund of the tax paid. (§ 2 ch 47 SLA 1955; am § 3 ch 27 SLA 1957; am § 2 ch 136 SLA 1961; am § 4 ch 158 SLA 1970; am § 3 ch 124 SLA 1971; am § 4 ch 125 SLA 1971; am § 4 ch 116 SLA 1977; am §§ 35, 36 ch 113 SLA 1980; am § 5 ch 82 SLA 1982)

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Effect of amendments. — The 1980 amendment substituted a reference to this chapter in subsection (b), and added subsection (d).

The 1982 amendment, effective June 4, 1982, substituted "the tax has been" for:

"duty is" in subsection (b).

Editor's notes. — Section 52, ch. 113, SLA 1980 makes this section applicable to tax years beginning after December 31, 1979.

~~Sec. 43.40.035. Other refunds and credits.~~ (a) A person who resells fuel on which the tax under AS 43.40.010(a) or (b) was previously paid is entitled to a credit or refund of the tax if (1) the resold fuel is not motor fuel and a certificate of use is acquired under AS 43.40.010(1); or (2) the amount of tax previously paid exceeds the tax due on the resale. The amount of the credit or refund under this section is equal to the amount of tax previously paid on the resold fuel less the amount of tax prescribed by AS 43.40.010(a) or (b).

(b) A reseller may elect, with the express written consent of the supplier of the resaler, to receive the credit or refund under this section directly from the supplier rather than by filing a claim for the credit or refund with the department. When an election is properly made under this subsection, the supplier may claim the credit or refund from the department. To be effective an election under this subsection must be signed in quadruplicate by the reseller and by the supplier. The reseller and the supplier shall each file one copy of the election, with original signatures, with the department. The reseller and supplier shall each retain a copy of the election with original signatures for audit review by the department. If an election is made under this subsection, it may not be revoked without the express written consent of the supplier. (§ 6 ch 82 SLA 1982)

Effective dates. — Section 19, ch. 82, June 4, 1982, in accordance with AS SLA 1982, makes this section effective 01.10.070(c).

~~Sec. 43.40.040. Applications and permits for refund.~~

Repealed by § 45 ch 113 SLA 1980.

Cross references. — For present provisions concerning contents of applications for refunds, see AS 43.40.050(a).

Editor's notes. — The repealed section derived from § 3, ch. 47, SLA 1955; § 4, ch. 131, SLA 1962.

Section 52, ch. 113, SLA 1980 makes the repeal of this section applicable to tax years beginning after December 31, 1979.

~~Sec. 43.40.050. Refund claim by affidavit.~~ (a) A person who claims a refund under AS 43.40.030 shall present the claim for the refund to the commissioner of revenue by affidavit upon a form provided by the commissioner. The claim shall include the name, address and occupation of the applicant, the nature of the business of the applicant, and a description sufficient to identify the machinery or equipment in which the motor fuel for which the refund is claimed was used.

The claim shall be accompanied by each invoice issued to the claimant at the time the motor fuel was purchased. The commissioner may require any additional information which the commissioner considers necessary for the administration of this subsection.

(b) A claim for refund under AS 43.40.030 or 43.40.035 shall be filed within one year from the date of the purchase of the motor fuel as indicated on the invoice, and failure to file within the one-year period is a waiver of the right to the refund. A claim is considered to be filed when the claim is mailed or personally presented to an office of the department.

(c) A reseller who claims a refund or credit under AS 43.40.035 shall present the refund claim to the department or to the supplier of that reseller by affidavit on a form provided by the department. The claim shall include the name, address, and occupation of the applicant, the nature of the business of the applicant, and a description sufficient to identify the reason for the refund or credit. The claim shall be supported by documentation required by the department. (§ 4 ch 47 SLA 1955; am § 1 ch 139 SLA 1960; am § 37 ch 113 SLA 1980; am §§ 7—9 ch 82 SLA 1982)

Effect of amendments. — The 1980 amendment in subsection (a), changed a reference to this chapter at the beginning and at the end of the subsection, substituted the present second sentence for the former material, which read: "with the information the commissioner requires", and substituted "was" for "is" preceding "purchase" at the end of the present third sentence.

The 1982 amendment, effective June 4, 1982, substituted "under AS 43.40.030" for "as provided in AS 43.40.010 — 43.40.100"

and "the claim for the refund" for "his claim" in the first sentence of subsection (a), substituted "the commissioner" for "he" and "this subsection" for "AS 43.40.010 — 43.40.100" in the last sentence of subsection (a), inserted "under AS 43.40.030 or 43.40.035" in the first sentence of subsection (b), and added subsection (c).

Editor's notes. — Section 52, ch. 113, SLA 1980 makes this section applicable to tax years beginning after December 31, 1979.

Sec. 43.40.080. Examination of books and records. (a) To determine the validity of a claim for refund, the Department of Revenue may examine the books and records of the claimant and the books and records of a distributor of motor fuel. The Department of Revenue may cancel the refund permit of the claimant relying upon a fraudulent invoice for a period of not more than one year.

(b) Repealed by § 46 ch 113 SLA 1980. (§ 5 ch 47 SLA 1955; am § 46 ch 113 SLA 1980)

Effect of amendments. — The 1980 amendment repealed subsection (b).

Sec. 43.40.090. Criminal violation.

Repealed by § 46 ch 113 SLA 1980.

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Cross references. — For present provisions concerning criminal penalties, see AS 43.05.290.

Editor's notes. — The repealed section derived from § 11, ch 47, SLA 1955; § 4, ch. 27, SLA 1957.

Sec. 43.40.100. Definitions. In AS 43.40.010 — 43.40.100

(1) "dealer" means a person who sells or otherwise transfers in this state motor fuel upon which the taxes imposed by AS 43.40.010 — 43.40.100 have not been paid;

(2) "motor fuel" means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor; "motor fuel" does not include

(A) fuel assigned to foreign countries;

(B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries;

(C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public;

(D) fuel used by nonprofit power associations or corporations for generating electric energy for resale;

(E) fuel used by charitable institutions;

(F) fuel which is at least 10 percent alcohol by volume;

(G) fuel sold or transferred between qualified dealers;

(H) fuel sold to federal, state, and local government agencies for official use;

(I) fuel used in stationary power plants that generate electrical energy for private residential consumption;

(J) fuel used to heat private or commercial buildings or facilities, or;

(K) fuel used for other nontaxable purposes as prescribed by regulations adopted by the department;

(3) "user" means a person consuming or using motor fuel, who either

(A) purchases the fuel out of the state and ships it into the state for personal use in the state;

(B) manufactures the fuel in the state; or

(C) purchases or receives fuel in the state that is not taxed at the time of purchase or receipt or is taxed at a rate that is less than the rate prescribed by AS 43.40.010.

(4) "qualified dealer" means a person who (A) refines, (B) imports, (C) manufactures, (D) produces, (E) compounds, or (F) wholesales motor fuel, who satisfies criteria for qualified dealers established by the department by regulation and who obtains a qualified dealer's license from the department. (§ 48-5-1 ACLA 1949; am § 1 ch 56 SLA 1949; am § 9 ch 47 SLA 1955; am § 26 ch 70 SLA 1964; am §§ 6, 7 ch 158 SLA 1970; am § 1 ch 74 SLA 1972; am § 5 ch 116 SLA 1977; am § 10 ch 83 SLA 1980; am §§ 10—12 ch 82 SLA 1982)

Effect of amendments. — The 1980 amendment added subparagraph (F) in paragraph (2).

The 1982 amendment, effective June 4, 1982, in paragraph (2), added subparagraphs (G)-(K); in paragraph (3) added the

subparagraphs (A) and (B) designations, substituted "personal use" for "his own use" and deleted "or" from the end, in subparagraph (A), added "or" to the end of subparagraph (B), and added subparagraph (C); and added paragraph (4).

Chapter 45. School Tax.

Section

10—60. [Repealed]

Secs. 43.45.010 — 43.45.060. Tax imposed; persons exempt; record of withholding; overpayment, credit and refund; failure to file return; penalties.

Repealed by § 3 ch 166 SLA 1976; § 2 ch 64 SLA 1980; § 46 ch 113 SLA 1980.

Editor's notes. — The repealed chapter derived from §§ 37-4-3 — 37-4-6, ACLA 1949; § 1, ch. 41, SLA 1957; § 1, ch. 175, SLA 1957; § 1, ch. 149, SLA 1959; §§ 1—5, ch. 179, SLA 1960; § 111, ch. 127, SLA 1974.

Section 3, ch. 64, SLA 1980 makes the repeal of this chapter applicable to tax years beginning after December 31, 1979.

Section 4, ch. 64, SLA 1980 provides: "The Department of Revenue shall estab-

lish procedures for refunding to a taxpayer amounts received in payment of the school tax levied under AS 43.45 for the 1980 tax year and shall refund to the taxpayer the tax which was withheld for the 1980 tax year by an employer and paid to the department under AS 43.45.010(c). Other tax money paid to the Department of Revenue under AS 43.45 for the 1980 tax year shall be refunded to the taxpayer who made the payment."

Chapter 50. Tobacco Tax.

Article 1. Cigarette Tax Act.

Section

10. License
100. Civil penalties

Section

150. Administration
160. [Repealed]

Sec. 43.50.010. License. (a) No person may sell, purchase, possess, or acquire cigarettes as a manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer without a license.

(b) The department, upon application and payment of the fee, shall issue a license to each manufacturer, distributor, direct-buying retailer, vending machine operator, or buyer. The department shall make reasonable regulations which it considers necessary in respect to the application for and the issuance of licenses.

(c) The department may refuse to issue a license if there is reasonable cause to believe that the applicant has wilfully withheld information requested of him to determine his eligibility to receive a license, or if there is reasonable cause to believe that information submitted in the application is false or misleading and is not made in good faith.

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~~Sec. 43.40.060. Separate invoices.~~ The Department of Revenue may require the issuance of separate invoices for fuel sold, distributed, or transferred when the invoices will be the basis for a refund claim. (§ 6 ch 47 SLA 1955)

~~Sec. 43.40.070. Refund warrants.~~ Upon approval of a refund claim by the Department of Revenue, a warrant shall be drawn on the highway fuel tax account in the general fund in favor of the applicant in the amount of the claim. (§ 7 ch 47 SLA 1955; am § 5 ch 131 SLA 1962)

~~Sec. 43.40.080. Examination of books and records.~~ (a) To determine the validity of a claim for refund, the Department of Revenue may examine the books and records of the claimant and the books and records of a distributor of motor fuel. The Department of Revenue may cancel the refund permit of the claimant relying upon a fraudulent invoice for a period of not more than one year.

(b) If an invoice relied upon for a refund claim is fraudulent, the claimant is guilty of a misdemeanor and is punishable by a fine of not more than \$500. (§ 5 ch 47 SLA 1955)

Sec. 43.40.085. Preservation of books and records. Dealers and users shall preserve for three years all books and records pertaining to sales, transfers, and uses of motor fuel which are taxed under this chapter. (§ 5 ch 158 SLA 1970)

~~Sec. 43.40.090. Criminal violation.~~ A person who uses motor fuel with knowledge that the tax has not been paid is guilty of a misdemeanor, and is punishable by a fine of not more than \$500, or by imprisonment for not more than one year, or by both. (§ 11 ch 47 SLA 1955; am § 4 ch 27 SLA 1957)

C.J.S. reference. — 53 C.J.S. Licenses
§ 66.

Sec. 43.40.100. Definitions. In §§ 10—100 of this chapter:

(1) "dealer" means a person who sells or otherwise transfers in this state motor fuel upon which the taxes imposed by this chapter have not been paid;

(2) "motor fuel" means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor; "motor fuel" does not include

(A) fuel consigned to foreign countries,

(B) fuel sold for use in jet propulsion aircraft operating in flights to foreign countries,

(C) fuel used in stationary power plants operating as public utility plants and generating electrical energy for sale to the general public,

Alaska State Legislature



MAR 2 1983

Speaker of the House of Representatives

Official Business

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720

March 2, 1983

To: Members of House Transportation Committee

From: Jeff Day *JD*
Assistant to the Speaker

Re: HB 40/ Repeal of Motor Fuel Tax

As I stated, I have attached a copy of the general testimony I presented on behalf of Representative Hayes to the Committee on March 1. I would also like to take this opportunity to summarize a few of the remarks I made to the Committee which were not contained in those prepared remarks.

The question of Alaska's image has been discussed a great deal in connection with these bills. While the repeal of the income tax and the distribution of \$1000 checks certainly made headlines nationwide, it is not believed repeal of these 8¢, 5¢ and 4¢ taxes would exactly get front page coverage in the Wall Street Journal.

As a related matter, there have been questions raised regarding what the federal government might do as a result of our repealing the taxes and our lessened image. First, it must be noted that in FY 82, Alaska committed \$230 million in state funds to transportation projects. These taxes we are talking about repealing amount to \$30 million or roughly 9% of the total state commitment to transportation. It is believed that repeal of these taxes will not necessarily mean any lessening of that commitment to transportation or in paying the states share of projects which are financially shared with the federal government. Those decisions, though, will be made by the Legislature and not as any direct result of a repeal of reduction of fuel taxes. It is not believed our image will be lessened nor federal dollars jeopardized since it is assumed legislators will vote for a major financial commitment to transportation and that is still the image this state will present to the nation.

I refer to the figure of 30 million dollars. However, the fiscal note you received on the bill shows a fiscal impact of \$48 million. The fiscal note and the Departments own revenue projections from these taxes do not match, unless possibly they are including, in that 48 million, taxes collected before refunding.

If that is the case, then the fiscal note is quite misleading. I would suggest the Committee ask for further clarification of how the \$48 million figure was arrived at. In my discussions with the Department, they said my assumption of a \$30 million dollar loss of revenue as a result of the repeal was accurate.

Finally, I wish to emphasize the whole philosophical point of this bill. If we repeal the taxes, we are not directly lessening the amount of money that will go towards transportation related projects. Though there are separate accounts established in the GENERAL FUND for the proceeds of these taxes, the monies cannot be dedicated to transportation projects. The funds are simply a part of the whole general fund which is the source of everything in the state budget. By eliminating the tax we are eliminating 30 million dollars in revenue available to be spent in any way as part of state Government.

Many representatives ran campaigns advocating less government and a lowered government budget. Though you are not the Finance Committee, positive action on HB 40 will result in an indirect budget cut since you will be eliminating 30 million dollars in revenue which would otherwise be available for general government to spend. A positive vote on HB 40 indicates your belief the state does not need this money, that the budget is too large and that there are better indirect effects this 30 million dollars will have for Alaskans rather than increased government. If you vote against repeal of the taxes, you are in effect saying government needs this money, the budget is at a proper level or needs to be increased.

Please contact me in Room 208 of the Capitol if I can be of further assistance.

Thanks.

HAYES' REMARKS RE: HB 40: REPEAL OF MOTOR FUEL TAX

THIS COMMITTEE HAS BEFORE IT SEVERAL PIECES OF LEGISLATION RANGING FROM ELIMINATION OF THE WATERCRAFT MOTOR FUEL TAX, TO A REDUCTION OF THE HIGHWAY MOTOR FUEL TAX, TO AN INCREASE IN THE MOTOR FUEL TAX, AND THEN THERE IS THE LEGISLATION WHICH I HAVE INTRODUCED WHICH ELIMINATES THE MOTOR FUEL TAX TOTALLY IN ALL AREAS.

YOU HAVE HEARD THE ARGUMENTS FOR ELIMINATION OF THE TAX FOR FUEL USED IN AND ON WATERCRAFT. I CONCUR IN THE REASONS STATED IN SUPPORT OF THAT LEGISLATION LAST WEEK BY REPRESENTATIVES GRUSSENDORF AND ZHAROFF. THOSE SAME REASONS CAN APPLY TO ELIMINATION OF THE TAX IMPOSED ON THE SALE OF AVIATION FUEL.

THE AVIATION FUEL TAX IS ESTIMATED TO BRING THE STATE ABOUT 5.4 MILLION DOLLARS IN FY 84...CLEARLY A VERY SMALL AMOUNT COMPARED TO THE ENTIRE REVENUE PICTURE. THE DEPARTMENT OF REVENUE HAS ALSO ESTIMATED THAT THE INCOME PRODUCED FROM THE TAX ON WATERCRAFT FUEL WILL BE ABOUT 4 MILLION DOLLARS.

THE MAJOR TAX THAT WOULD BE ELIMINATED UNDER THIS BILL IS THE 8 CENT PER GALLON TAX ON HIGHWAY FUEL SUCH AS GASOLINE. IT'S ESTIMATED THAT THIS TAX WOULD BRING THE STATE ABOUT 21 MILLION DOLLARS THIS YEAR.

THE TOTAL IMPACT OF REPEALING THE MOTOR FUEL TAX ENTIRELY WOULD BE A LOSS OF REVENUE TO THE STATE OF ABOUT 30 MILLION DOLLARS...ROUGHLY ONE PERCENT ON THIS STATES TOTAL REVENUES.

HOWEVER, THAT LOSS OF REVENUE TO THE STATE MEANS 30 MILLION DOLLARS IN THE POCKETS OF ALASKANS WHO DRIVE CARS OR OWN BOATS AND AIRPLANES. IT MEANS THE COST OF AIR TRAVEL SHOULD BE LESS IN A STATE THAT IS VERY DEPENDENT ON THE AIRPLANE AS A MODE OF TRANSPORTATION. IT MEANS THE OPERATION OF MASS TRANSIT SYSTEMS WHICH ARE USUALLY HEAVILY SUBSIDIZED BY LOCAL GOVERNMENTS WILL COST LESS TO OPERATE. IT MEANS THE AVERAGE CONSUMER OF MOTOR FUELS WILL RECEIVE ADDITIONAL MONEY DIRECTLY AND INDIRECTLY THAT WILL IN TURN BE PUT INTO THE ECONOMY IN OTHER WAYS.

THE REPEAL OF THE TAX DOES NOT MEAN THERE WILL BE 30 MILLION DOLLARS LESS FOR PORTS, AIRPORTS AND HIGHWAYS. WHILE THE STATUTES DO ESTABLISH SEPARATE ACCOUNTS WITHIN THE GENERAL FUND FROM THE PROCEEDS OF WATERCRAFT, AVIATION AND HIGHWAY FUEL TAXES...THE MONEY IS SIMPLY PART OF THE OVERALL GENERAL FUND. THE STATUTES SAY THE LEGISLATURE MAY APPROPRIATE FROM THESE FUNDS FOR BUILDING DOCKS, ROADS OR AIRPORT IMPROVEMENTS.

THE FACT IS THAT APPROPRIATIONS FOR SUCH PROJECTS ARE NOT TIED TO THESE FUNDS SPECIFICALLY. THE LEGISLATURE APPROPRIATES FAR MORE THAN 30 MILLION ANNUALLY FOR SUCH PROJECTS. AND THOSE APPROPRIATIONS COME FROM THE GENERAL FUND OF WHICH THESE THREE ACCOUNTS ARE SIMPLY A PART.

REPEAL OF THE TAX DOES NOT NECESSARILY MEAN WE WILL NOT BE ABLE TO DEVOTE AS MUCH MONEY TO TRANSPORTATION RELATED DEVELOPMENT. IT DOES MEAN 30 MILLION DOLLARS LESS FOR STATE BEAURACRACY TO PROVIDE GOVERNMENT SERVICES. CERTAINLY I WOULD EXPECT THE PUBLIC TO ANTICIPATE 30 MILLION DOLLARS LESS IN GOVERNMENT SERVICE AS A RESULT OF HAVING 30 MILLION DOLLARS INDIRECTLY ADDED TO THEIR SPENDING POWER.

YOU ALSO HAVE BEFORE YOU TODAY HB 55 BY REPRESENTATIVE MARTIN WHICH WOULD REDUCE THE HIGHWAY MOTOR FUEL TAX FROM 8 TO THREE CENTS IN AN EFFORT TO OFFSET THE 5¢ PER GALLON TAX WHICH WILL SOON TAKE EFFECT AS A RESULT OF FEDERAL LEGISLATION. HOWEVER, HB 55 MAKES NO CHANGE TO THE AVIATION OR WATERCRAFT FUEL TAX. WHILE A 5¢ REDUCTION IN THE HIGHWAY FUEL TAX MIGHT BE A POTENTIAL COMPROMISE IN ONE AREA, I FEEL IT WOULD BE UNFAIR TO REDUCE ONE TAX AND NOT REDUCE TAXES FOR WATERCRAFT AND AVIATION.

AS A MINIMUM I WOULD HOPE THIS COMMITTEE WOULD ENDORSE THE
CONCEPT OF REDUCING ALL THESE TAXES AND ELIMINATE THE
CUMBERSOME REFUND PROCEDURES WHICH ARE IN EFFECT FOR THE
HIGHWAY MOTOR FUEL TAX.

AT BEST I WOULD HOPE YOU WOULD ADOPT HB 40 WHICH WOULD
ELIMINATE THIS SO CALLED NUISANCE TAX ALLTOGETHER.

THE BASIC QUESTION IS SIMPLY WHO GETS THE 30 MILLION DOLLARS
THIS TAX GENERATES. WILL THE STATE GET IT TO PROVIDE MORE
GOVERNMENT OR WILL ALASKANS RETAIN IT AND IN TURN PROVIDE
BENEFITS TO THE ALASKAN ECONOMY THROUGH THE MARKET PLACE.

THANK YOU FOR THE OPPORTUNITY TO TESTIFY ON THIS BILL TODAY.
I LOOK FORWARD TO THIS COMMITTEES ACTION.

#

INTRODUCTION OF BILLS (House)

Imitation
Controlled
Substances

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 10, (see pages 28 and 134). The major change in the bill is elimination of lengthy section on forfeitures. Instead provides that property used during or in aid of a violation of laws regulating imitation controlled substances may be forfeited to the state to the extent permitted under laws regulating controlled substances (AS 17.30--see AS 17.30.110, Forfeitures).

The Sponsor Substitute would add "Imitation Controlled Substances Act" to Title 11 (Criminal Law) rather than to Title 17 (Food and Drugs).

Replaces the term "distribute" with "deliver" throughout the bill (e.g. "Delivery of an Imitation Controlled Substance to a Minor"). Definition reads "the actual, constructive, or attempted transfer from one person to another of an imitation controlled substance, whether or not there is an agency relationship."

Adds the following to the list of illegal imitation drugs contained in original bill: lidocaine; procaine; tetracaine; dyclonine; acetaminophen; salicylamide; doxylamine; diphenhydramine; pheniramine; chlorpheniramine; pyrilamine. Would also make possession or delivery of a salt of an imitation controlled substance illegal.

Introduced February 11 and referred to Judiciary and Finance.

Motor Fuel
Tax
(repeal of)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 40, (see page 40), by Hayes, Martin, Lindauer, Tischer and Barnes. Would only repeal the state motor fuel tax (AS 43.40), retroactive to January 1, 1983, and applying to tax years beginning after December 31, 1982. Directs the Dept. of Revenue to adopt regulations providing for refunds of motor fuel taxes collected after December 31, 1982. Effective immediately. Original HB 40 also repealed the Permanent Fund Dividend Program and the \$100 tax credit for campaign contributions--see p. 40.

Introduced February 11 and referred to Transportation and Finance.

Permanent Fund
Dividend Prog.
(repeal of)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 85, (see page 55), by Szymanski. Adds new section to original version of bill amending the law relating to the disposition of income of the Alaska Permanent Fund. Provides that annually an amount sufficient to offset inflation on the principal of the Permanent Fund shall be transferred from net income to the principal of the Fund for reinvestment (deletes language that now excludes income on the Undistributed Income Account). Provides the balance of the net income shall be transferred to the Undistributed Income Account "and then shall be returned to the principal of the Alaska permanent fund to be treated as principal of the permanent fund in all respects." (The law currently provides: "The balance of the net income . . . shall be transferred to the undistributed income account in the Alaska permanent fund. Money in the undistributed income account shall be invested in investments authorized under AS 37.13.120. Income from the investment of the undistributed income account shall be treated as an addition to that account.")

INTRODUCTION OF BILLS (House)

HB 39, (cont'd)

counseling, adoption assistance, maternity home and foster home care, postnatal care and parenting skills. Would require persons providing services to be licensed if required by the Department. Provides Act takes effect immediately.

Introduced January 17 and referred to Health, Education and Social Services, then to Finance.

Revenue &
Tax Laws
(repeal of
certain)

HOUSE BILL NO. 40. by Hayes, Martin, Lindauer and Tischer. Would repeal certain state revenue and taxation laws: AS 43.20.013(a) (Alaska Net Income Tax Act. Individual Tax Credits.--allows a \$100 tax credit for campaign contributions); AS 43.23 (Permanent Fund Dividends.--would repeal the Permanent Fund Dividend program); AS 43.31 (Alaska Estate Tax); AS 43.40 (Motor Fuel Tax). Amends certain statutory references to the Permanent Fund Dividend program and the estate tax. Amends section of law relating to the choosing of a jury that allows use of the list of person who filed for a Permanent Fund dividend, deleting reference to the Permanent Fund. Provides Act is retroactive to January 1, 1983 and applies to tax years beginning after December 31, 1982. Provides Act takes effect immediately.

Introduced January 17 and referred to State Affairs, then to Finance.

Municipal
Roads
(state aid)

HOUSE BILL NO. 41. by Lacher, Larson, Phillips, Szymanski and Tischer. Would increase the amount of state aid to municipalities for road maintenance from \$2,500 a mile to \$3,500 a mile for each mile of road, street or highway maintained by the municipality (amends AS 29.89.020(a) to so reflect). Also would amend a new Municipal Code when enacted by the Thirteenth Legislature (see SB 1, page 1). Provides Act takes effect July 1, 1983, and provides payments of state aid shall start during the fiscal year beginning July 1, 1983.

Introduced January 17 and referred to Community & Regional Affairs, Transportation, then to Finance.

Population
Determination
(state aid)

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 42. by Lacher and Larson. Relates to the determination of population for purposes of calculating amounts of state aid. Adds new language to AS 29.88.015 (Municipal Tax Resource Equalization. Determination of Population) and AS 29.89.060 (State Aid for Miscellaneous Municipal Purposes. Population Determination) to provide that the population does not include an individual who is employed in the taxing unit or area for which the determination is made but whose primary place of residence is outside the area, regardless of the amount of time that individual spends in the taxing unit. The bill would amend the existing Municipal Code (AS 29), as well as a new Municipal Code (see SB 1, page 1) when enacted by the Thirteenth Legislature. Provides Act takes effect July 1, 1983.

Big State Equipment Company

P.O. Box 1540 • Fairbanks, Alaska 99707
Phone (907) 456-6367

FEB 22 1983

February 10, 1983

To All Legislators
Pouch V
Juneau, Alaska 99803

Representative Cato

Dear Legislator:

We are a Tesoro distributor in Fairbanks and we are quite concerned about the present statutes, regulations, and various forms that are involved with motor fuel tax.

We simply feel that present laws and regulations are out of line. What has been created here is a mountain of paper work that is quite simply "uncalled for".

We understand that there is a house bill (40) that would eliminate this tax all together. We would like to see this passed and that the present law not be implemented until the 1985 legislators review it.

Thank you for your consideration in this matter.

Yours truly,

Joe Gilbertson 1/83

H.L. (Joe) Gilbertson

General Fund Unrestricted Revenues

In Thousands of Current Dollars

	FY 1982 Actual <u>January</u>	FY 1983 Estimate <u>January</u>	FY 1984 Estimate <u>January</u>	FY 1985 Estimate <u>January</u>
<u>Taxes</u>				
<u>Income</u>				
Corporate-General	34,800	-0-	-0-	-0-
Corporate-Petroleum	668,900	-0-	-0-	-0-
Corporate (1)	-0-	235,000	272,000	295,000
<u>Gross Receipts</u>				
Alaska Business License	5,500	5,800	6,000	6,300
Fish-Canned Salmon	8,600	5,000	5,000	5,000
Fish-Shorebased	8,700	9,000	9,000	9,000
Fish-Floating	5,500	5,500	5,500	5,500
Seafood Marketing (2)	-0-	1,000	1,000	1,000
Salmon Enhancement	2,400	2,400	2,400	2,400
Insurance Companies	12,500	14,500	17,000	20,000
Electric and Telephone Co-ops	1,200	1,300	1,300	1,300
Mining License Tax	200	200	200	300
<u>Severance</u>				
Oil & Gas Production(3)(4)	1,581,100	1,528,800	1,197,300	1,219,700
Oil & Gas Conservation	600	800	700	700
<u>Property</u>				
Oil & Gas(5)(6)	142,700	148,600	153,200	158,000
<u>Sale/Use</u>				
Alcoholic Beverages	9,000	12,000	12,500	13,000
Fuel Taxes-Aviation	6,300	5,100	5,400	5,500
Fuel Taxes-Highway	20,300	21,000	22,000	23,000
Fuel Taxes-Marine	3,700	3,800	4,000	4,200
Tobacco Products	1,900	2,000	2,000	2,000
<u>Other</u>				
Estate	300	500	500	500
Total Taxes	<u>2,514,200</u>	<u>2,002,300</u>	<u>1,717,000</u>	<u>1,772,400</u>
<u>Licenses & Permits</u>				
<u>Business</u>	10,800	11,000	12,000	12,500
<u>Non-Business</u>	13,000	13,000	13,500	14,000
Total Licenses & Permits	<u>23,800</u>	<u>24,000</u>	<u>25,500</u>	<u>26,500</u>
<u>Intergovernmental Receipts</u>				
<u>Federal Shared Revenues(7)(8)(9)</u>	<u>21,700</u>	<u>26,600</u>	<u>10,000</u>	<u>10,000</u>
<u>State Resource Revenue</u>				
<u>Sale/Use</u>				
Bonus Sales(7)(10)(11)	5,000	26,100	-0-	-0-
Investment Earnings(12)	324,700	300,000	100,000	100,000
Rents(7)(10)(11)	3,500	4,000	4,000	4,000
Royalties(4)(7)(13)	1,157,300	1,119,400	883,500	912,000
Sale of State Property	5,200	5,500	5,500	5,500
Gravel, Timber, etc.(14)	1,200	5,500	2,000	2,000

Sales/Use Taxes

FUEL

Tax is levied on aviation fuel, highway fuel, and marine fuel at the following rates. (AS 43.40)

- Aviation fuel: 4¢ per gallon on aviation gas and 2 1/2¢ per gallon on aviation jet fuel.
- Highway fuel: Gasoline and diesel fuel is taxed at the rate of 8¢ per gallon. "Off-highway" users may claim a refund of 6¢ per gallon on motor fuel within one year of purchase if the 8¢ tax was paid.
- Marine fuel: Rate is 5¢ per gallon for fuel used in engines for the propulsion of boats and watercraft.

Due Date

By last day of month for prior month

Allocation

General Fund

(Administered by the Department of Revenue.)

ALCOHOLIC BEVERAGE

Tax rates are based on alcoholic content: Malt beverages (1% or more alcohol) \$0.25 per gallon; wine (21% or less alcohol) \$0.60 per gallon; hard liquor (more than 21% alcohol) \$4.00 per gallon. (AS 43.60)

Due Date

By last day of month for prior month

Allocation

General Fund

(Administered by the Department of Revenue.)

CIGARETTE

A tax of 4 mills is levied on each cigarette imported or acquired in the state. Additional license fees follow. (AS 43.50)

Manufacturers	\$5
Vending Machine Operator	\$25
Direct-Buying Retailer	\$25
Buyer	\$25
Distributor	\$50