

CSHJR

68

SENATE COMMITTEE REPORT

FURTHER

4/4/88

DATE TURNED INTO OFFICE 5/7/88

Mr. President:

FINANCE Committee considered CSHJR 68 (TRSP)

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

and recommended

[] replace with _____ CS _____) [] same title
[] or adopt _____ CS _____) [] new title

[] attached amendment(s) and

[] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

[] letter of intent adopted _____

Committee [] attached or [] adopted fiscal note(s)

[] new [] updated or [] previous

[] zero ^{0 DATED} [] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul H. ...

Paul ...

...

...

...

Rich Helford do pass

Chairman signature and recommendation

[] Committee Backup attached

STATE OF ALASKA
1988 LEGISLATIVE SESSION

No. 1

BILL VERSION: CSHJR 68 (Trsp)
PUBLISH DATE: HOUSE 3/9/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: Urging Congress to restore the BRU: Division of Business Development
exemption from federal excise tax/certain diesel fuel users
Sponsor: House Resource Committee Components: _____
Requester: House Resource Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Larry Mercurieff, Director
Division: Business Development

Phone: 465-2017
Date: March 8, 1988

Approved by Commissioner: J. Anthony [Signature]
Agency: Department of Commerce and Economic Development

Date: March 8, 1988

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

page 1 of 1

09SSD-4/030888a

DCEED Fiscal Note

Original sponsor: Resources Committee

1 IN THE HOUSE BY THE TRANSPORTATION COMMITTEE
2 CS FOR HOUSE JOINT RESOLUTION NO. 68 (Transportation)
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 wholesaler 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 commer-
16 cial fishing, timber, mining, farming, ranching, and marine transportation
17 operations, and other resource extraction and development 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 Lloyd

1 Bentsen, Chairman of the Senate Committee on Finance; the Honorable Dan
2 Rostenkowski, Chairman of the House Committee on Ways and Means; and to the
3 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and
4 the Honorable Don Young, U.S. Representative, members of the Alaska delega-
5 tion in Congress.



STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

MEMORANDUM

TO: Senator Rick Halford, Co-chair
Senator John Binkley, Co-chair
Senate Finance Committee

FROM: Representative Cliff Davidson

DATE: May 3, 1988

SUBJECT: House Joint Resolution 68

HJR 68 has a zero fiscal note and addresses federal legislation that took effect April 1 of this year.

The federal government charges a fifteen cents a gallon excise-tax on diesel fuel used for an "on-road" purpose. As part of a deficit-reduction act passed last December, however, Congress mandated an across-the-board tax collection. As of April 1st of this year, all traditionally tax-exempt categories pay the tax.

Intended as a tax for "on-road" users only, this tax will now be charged to all fishermen, loggers, miners, and any other "off-road" user of diesel fuel. The effect of this tax in Alaska, a state that uses an inordinate amount of diesel fuel for "off-road" purposes, is devastating.

HJR 68 sends a message to Congress that we support pending legislation to repeal this new tax collection procedure.



1988 FEB 22 11 22

ALASKA FACTORY TRAWLER ASSOCIATION
4339 21ST AVE. WEST, SUITE 400
SEATTLE, WASHINGTON 98199
(206) 266-6139
TELEFAX 206-265-1841
TELEX 6106012568, ALASKA TRAWL SEA

The Honorable John Warner
United States Senator
421 Senate Russell Office Building
Washington, D.C. 20510

February 22, 1988

Dear Senator Warner:

The Alaska Factory Trawler Association (AFTA), the trade association which represents the factory trawler fleet operating in the North Pacific groundfish fishery, seeks your assistance in a matter of significant economic importance to us and to other segments of the fishing industry - establishing an up-front exemption for fishing vessels from the 15.1 cent per gallon federal highway excise tax on diesel fuels.

This federal excise tax, passed December 22, 1987, was designed to tax highway users. However, current exemptions from diesel fuel taxes for off-highway users, including fishing vessels, has been eliminated. Loss of this up-front exemption means that fishermen will be required to pay the tax up front, then apply for a refund on a quarterly basis. This needlessly increases the recordkeeping and paperwork for both the fishermen and the government, and costs the fishermen significantly due to the loss of the time value of the money deposited with the government.

While this is a problem for all fishermen, the problem becomes particularly acute for the factory trawler operators. These large American owned and operated vessels participate in high volume, low margin fisheries and must compete in the world market against foreign producers who enjoy lower operating costs. As illustrated in the attached fact sheet, factory trawler operators can expect to have between \$22,500 and \$67,950 awaiting rebate at any time. This amount increases if rebates aren't made in a prompt manner.

At a time when prices for our products have declined and other operating costs have increased, many operators cannot afford this additional drain to their cash flow.

One of the objectives of doing away with the exemption was to deter tax-evasion schemes, in which fuel which is ostensibly purchased for off-highway use is diverted to use in a highway vehicle. Such a scheme is only a remote possibility for an operator of a vessel fishing in the Gulf of Alaska or the Bering Sea, and a burden of the magnitude imposed by this law is unjustified. If deterring such schemes is the goal of Congress, a provision applying the exemption only to fuel pumped directly into the fishing vessel would be appropriate.

You can help with this issue by supporting a bill, such as the one enclosed, which amends the Internal Revenue Code by providing fishing vessels, fish processing vessels, and tender vessels an up-front exemption from this highway tax.

The members of AFTA would like to thank you for the assistance you have given us in the past, and hope that you will work with us to resolve the problem we are facing today.

Sincerely,

William R. Orr

William R. Orr
Director, Government Affairs



ALASKA FACTORY TRAWLER ASSOCIATION
4030 21ST AVE. WEST, SUITE 400
SEATTLE, WASHINGTON 98199
(206) 266-6138
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TELEX 5109512568, ALASKA TRAWL SEA

2/88

FACTORY TRAWLER FUEL CONSUMPTION

An informal survey was conducted among factory trawler operators to determine fuel consumption patterns. The results, which are rough averages, are categorized into three categories: vessels less than 200 feet, vessels 200 - 250 feet, and vessels greater than 250 feet. The number of vessels include vessels which will enter the fishery this year.

Factory Trawlers less than 200 feet

Number of vessels: 16
Fuel carrying capacity: 75,000 - 100,000 gallons
Daily fuel consumption: 2000 gallons/day
Quarterly fuel consumption: 150,000 gallons
Quarterly tax @ \$.151/gal : \$22,500

Factory Trawlers between 200 and 250 feet

Number of vessels: 14
Fuel carrying capacity: 150,000 gallons
Daily fuel consumption: 2600 gallons/day
Quarterly fuel consumption: 200,000 gallons
Quarterly tax @ \$.151/gal : \$30,200

Factory Trawlers larger than 250 feet

Number of vessels: 10
Fuel carrying capacity: 200,000 to 325,000 gallons
Daily fuel consumption: 6000 gallons/day
Quarterly fuel consumption: 450,000 gallons
Quarterly tax @ \$.151/gal : \$67,950

Nearly all of the fuel is taken at Alaskan ports. The average price of fuel (#2 diesel) purchased in Alaska is \$.75/gallon. (A quarter is figured as 75 days of operation.)



STATE OF ALASKA
HOUSE OF REPRESENTATIVES
Box V, Juneau, Alaska 99811
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RECEIVED MAR 31 1988

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

MEMORANDUM

TO: Senator Rick Halford
Co-Chairman, Senate Finance Committee

FROM: Representative Cliff Davidson

DATE: March 31, 1988

SUBJECT: House Joint Resolution 68

House Joint Resolution 68 was assigned two committees in the Senate: Transportation and Finance.

Today, March 31, it passed out of the Senate Transportation Committee. I respectfully request that the Finance referral be waived.

HJR 68 has a zero fiscal note, and addresses federal legislation that will take effect April 1st. It is urgent that this resolution reach Congress as soon as possible.

This resolution addresses the ~~fifteen cents a gallon federal excise-tax the federal government charges on diesel fuel~~. As part of a deficit reduction law passed last December, Congress mandated an across-the-board tax collection, and will now apply the tax to all traditionally tax-exempt categories.

Intended as a tax for "on road" users only, this tax will now be levied on all fishermen, loggers, miners or any other "off-road" users of diesel fuel. The effect on this tax in Alaska, a state that uses an inordinate amount of diesel fuel for "off-road" purposes, is devastating. HJR 68 urges Congress to repeal this proposed change.

There is already proposed legislation in Congress to redress this issue, but nonetheless, it is important HJR 68 reach Congress as soon as possible.

Thank you.

SENATE COMMITTEE REPORT

FURTHER

FINANCE

3/14/88

DATE TURNED INTO OFFICE 3/31/88

Mr. President:

Transportation Committee considered CSHJR 68 (TRSP)

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

and recommended

[] replace with CS) [] same title
[] or adopt CS) [] new title

[] attached amendment(s) and
do pass

[] do not pass

[] no recommendation

[X] individual recommendations

[] further referral to

[] letter of intent adopted

Committee [X] attached or [] adopted fiscal note(s)
[] new [] updated or [X] previous
[] zero [] fiscal impact

MEMBERS SIGNING DO PASS
[Signature]
[Signature]

OTHER RECOMMENDATIONS

[Signature] (Do Pass)
Chairman signature and recommendation

[] Committee Backup attached

Senate Trans. Report