

HB

122

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/7/95

FURTHER:

DATE TURNED INTO OFFICE: 5/13/95

The Finance Committee considered CS FOR HOUSE BILL NO. 122(FIN)

Imposing a reporting requirement on certain sal
fuel, efd. tion or uses of motor

*CS forth-
coming*

and recommends:

- be replaced with S CS CS HB 122 (FIN)
- adopt previous CS
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:
- same title
 - new title
- House Bill:
- same title
 - technical change
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Rios</i>	<input checked="" type="checkbox"/>	<i>PAUL CELL</i>		<input checked="" type="checkbox"/>	
<i>Bob W...</i>	<input checked="" type="checkbox"/>	<i>Walter Wiley</i>	<input checked="" type="checkbox"/>		
		<i>Paul H. Glendon</i>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	
Co-Chair:		Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>		
Co-Chair:		Co-Chair: <i>Rich Halford</i>	<input checked="" type="checkbox"/>		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
<i>DOR</i>	<i>5/10/95</i>		<i>50.6</i>

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Revision Date: _____ Dept. Affected: Revenue
 Title: Marine Motor Fuel Tax BRU: Audit Operations/Shared Taxes
 Component: Income and Excise Audit
 Sponsor: Rep. Moses, Grussendorf, Mackie
 Requestor: (H) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	40.6	42.0	43.5	45.0	46.6	48.2
TRAVEL						
CONTRACTUAL	4.0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	5.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS	0.0	4,929.2	4,927.7	4,926.2	4,924.6	4,923.0
MISCELLANEOUS						
TOTAL OPERATING	50.6	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2

CAPITAL						
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REVENUE FUND SOURCE: GF	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	50.6	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	50.6	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 5/10/95
 Approved by Commissioner: *[Signature]* Date: 5/10/95
 Agency: Department of Revenue *[Signature]*

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DEPARTMENT OF REVENUE

CSHB 122 (FIN)
9-LS0515\O
May 10, 1995
Page 2 of 3

Bill Analysis

Sections 1 and 2 of this bill would amend motor fuel tax statutes (AS 43.40) by effectively increasing the motor fuel tax rate on marine fuel by 3¢ per gallon (from 5¢ to 8¢ per gallon) through repeal of subsections which authorize a separate tax rate for marine motor fuel at the lesser rate.

Section 3 would provide for passing through the 3¢ per gallon tax increase to municipalities. Under this section, Department of Revenue would share 37.5% (3¢ divided by 8¢) of marine fuel tax revenue with municipalities subject to appropriation by the legislature. The balance of marine fuel tax revenue not passed through (5¢ portion) may be appropriated for water and harbor facilities.

Section 4 would require that revenue from the 3¢ portion of the tax less the amount required to be expended for collection of the tax be shared to municipalities in which marine fuel taxes were collected. Taxes would be passed to with municipalities in which the final sale or transfer occurred. This section provides for a phase-in of passed through amounts for boroughs which incorporate after the effective date of the bill. This section requires that marine fuel resellers report sales or transfers of marine fuel which is sold in or transferred to a location other than where the fuel was purchased or stored.

Section 5 provides for an effective date of July 1, 1995 for this bill.

Operating Costs

This bill would add new reporting requirements for motor fuel taxpayers (qualified dealers) by requiring them to report marine fuel sales by location. Qualified dealers report each month their motor fuel activity on a statewide basis and do not report the locations of their motor fuel sales. Location information would be required for the Department to share taxes with municipalities.

This bill may cause new reporting requirements by persons other than qualified dealers, such as fuel resellers, if they resell fuel in a location different from where they purchased it. Resellers do not currently report to the Department because motor fuel taxes attributable to their fuel purchases are covered under their qualified dealer's motor fuel return.

This bill would require that the Department data capture the additional information reported on monthly returns filed by qualified dealers and resellers. Reports from resellers will cause additional workload because the Department will have to track movement of fuel to different locations and make accounting adjustments to records of each of the affected municipalities.

DEPARTMENT OF REVENUE

CSHB 122 (FIN)
9-LS0515\O
April 28, 1995
Page 3 of 3

This bill would require an additional position, Accounting Technician I, Range 12 located in Juneau, to process returns and account for marine fuel tax information by municipality. The position would be responsible for verifying that the tax was collected, compiling tax data by municipality, reconciling tax revenue and issuing warrants to municipalities at the end of each fiscal year. Since this would be a new filing requirement for distributors and resellers, additional funds would be needed in FY 96 to inform them and print forms. There would be a one-time cost in FY 96 for computer equipment and furniture for the new position.

The Department would share revenue collected from the 3¢ tax rate increase less the amount required to be expended for collection of the tax. This amount is reflected as an operating cost under "Grants, Claims". The initial sharing would take place in FY97 for revenues collected in FY96.

Revenue

Based on FY 94 consumption data, the 3¢ per gallon marine fuel tax increase under this bill would generate \$4,975.2, calculated as follows.

FY 94 Taxable Gallons	CSHB 122 (FIN) (\$ per Gallon)	Current Rate (\$ per Gallon)	Revenue Increase
165,840,000	\$13,267,200	\$8,292,000	\$4,975,200

Under this bill, the revenue increase less amounts required to be expended for collection of the tax would be shared to municipalities. The amount to be shared to municipalities is reflected as an operating cost under "Grants, Claims" in this fiscal note.

SENATE FINANCE
COMMITTEE
Amendment Number: 1 Replacement 2
Bill Number: CSHB 122(FIN)
Sponsor: Sharp Date: 5/13/95
Logged In By: JJR

Adopted
9-L.S0515X.3
Chenoweth
5/12/95
5/13/95

A M E N D M E N T

OFFERED IN THE SENATE
TO: CSHB 122(FIN)

BY SENATOR SHARP

1 Page 2, line 30:

2 Delete "for water and harbor facilities"

3 Insert "for

4 (A) water and harbor facilities that are

5 (i) municipally owned and operated; or

6 (ii) state facilities, other than facilities of the Alaska

7 marine highway system, and that become municipally owned and

8 operated water and harbor facilities by transfer from the state;

9 appropriations may be made for the purpose of paying these

10 refunds to a municipality only after transfer of all state water and

11 harbor facilities in the municipality from the state to the

12 municipality; or

13 (B) new or expanded water and harbor facilities to be

14 constructed by a municipality, but only if the municipality has presented

15 to the commissioner of transportation and public facilities a plan for the

16 construction of new or expanded facilities in the municipality, and the

17 commissioner of transportation and public facilities finds, and certifies to

18 the commissioner of revenue, that the making of the refund payment

19 under this subparagraph will materially assist the municipality in

20 planning, designing, constructing, and operating the new or expanded

21 water and harbor facilities;"

Post-It™ brand fax transmittal memo 7671 # of pages ▶ 1

To <u>Chenoweth</u>	From <u>Obama</u>
Co <u>Legal</u>	Co.
Dept.	Phone # <u>465-4935</u>
Fax #	Fax # <u>22187</u>

R.O. 01
Amendment

9-LS0515\O

CS FOR HOUSE BILL NO. 122(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 4/28/95

Referred: Rules

Sponsor(s): REPRESENTATIVES MOSES, Grussendorf, Mackie

A BILL

FOR AN ACT ENTITLED

1 "An Act imposing a reporting requirement on certain sales, transfers, and
2 consumption or uses of motor fuel, increasing the motor fuel tax on motor fuel
3 used in and on watercraft, and authorizing payment of a portion of that tax as
4 refunds to municipalities; and providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

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

7 (a) There is levied a tax of eight cents a gallon on all motor fuel sold or
8 otherwise transferred within the state, except that

9 (1) the tax on aviation gasoline is four and seven-tenths cents a gallon;

10 and

11 (2) [THE TAX ON MOTOR FUEL USED IN AND ON
12 WATERCRAFT OF ALL DESCRIPTIONS IS FIVE CENTS A GALLON; AND

13 (3)] the tax on all aviation fuel other than gasoline is three and two-
14 tenths cents a gallon.

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

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

4 (1) the tax on aviation gasoline consumed is four and seven-tenths cents
5 a gallon; and

6 (2) [THE TAX ON MOTOR FUEL USED IN AND ON
7 WATERCRAFT OF ALL DESCRIPTIONS IS FIVE CENTS A GALLON; AND

8 (3)] the tax on all aviation fuel other than gasoline is three and two-
9 tenths cents a gallon.

10 * Sec. 3. AS 43.40.010(c) is amended to read:

11 (c) Every dealer who sells or otherwise transfers motor fuel in the state shall
12 collect the tax at the time of sale, and remit the total tax collected, together with the
13 tax return required by AS 43.40.075, during each calendar month of each year to the
14 department by the last day of each succeeding month. Every user shall likewise remit
15 the tax accrued on motor fuel actually used by the user during each month, together
16 with the tax return required by AS 43.40.075. If the monthly tax remittance and
17 return are [IS] timely filed, one percent of the total monthly tax due, limited to a
18 maximum of \$100, may be deducted and retained to cover the expense of accounting
19 and filing the monthly tax remittance and return. [AT THE TIME THE
20 REMITTANCE IS MADE, EACH DEALER OR USER SHALL SUBMIT A
21 STATEMENT TO THE DEPARTMENT SHOWING ALL FUEL WHICH THE
22 DEALER OR USER HAS DISTRIBUTED OR USED DURING THE MONTH.]

23 * Sec. 4. AS 43.40.010(f) is amended to read:

24 (f) The proceeds from the revenue from the tax on motor fuel used in or on
25 [BOATS AND] watercraft of all descriptions shall be deposited in a special watercraft
26 fuel tax account in the general fund. The legislature may appropriate from this
27 account as follows:

28 (1) an amount equal to 37.5 percent of the proceeds from the
29 revenue from the tax may be appropriated for the purpose of paying refunds to
30 municipalities under AS 43.40.150 for water and harbor facilities; and

31 (2) the balance of the proceeds from the revenue from the tax may

1 be appropriated for water and harbor facilities.

2 * **Sec. 5.** AS 43.40 is amended by adding a new section to read:

3 Sec. 43.40.075. TAX RETURN FILING REQUIREMENTS. (a) A person
4 subject to the motor fuel tax shall file a return, made under penalty of unsworn
5 falsification, on a form prescribed by the department, reporting

6 (1) motor fuel sold, transferred, and used in the state by category
7 defined by the department; and

8 (2) sales, transfers, and uses of motor fuel that are exempt from
9 taxation under this chapter.

10 (b) The motor fuel tax return must show the type of motor fuel sold,
11 transferred, or used, the nature of any exemption, to whom exempt fuel was sold or
12 transferred, and other information required on the form.

13 (c) The return, including all required schedules, documentation, and reports,
14 shall be filed with the tax remitted by the deadline for remittance of the motor fuel tax
15 established in AS 43.40.010(c).

16 * **Sec. 6.** AS 43.40 is amended by adding a new section to read:

17 **ARTICLE 2. WATERCRAFT FUEL TAX REFUNDS TO MUNICIPALITIES.**

18 Sec. 43.40.150. REFUNDS TO MUNICIPALITIES. (a) Except as provided
19 in (b) of this section, the commissioner shall pay from appropriations under
20 AS 43.40.010(f)(1)

21 (1) to each unified municipality and to each city located in the
22 unorganized borough the tax revenue collected in the municipality from taxes levied
23 on motor fuel used in and on watercraft of all descriptions under this chapter that is
24 deposited in the special watercraft fuel tax account and is allocable under
25 AS 43.40.010(f)(1);

26 (2) to each city located within a borough 50 percent of the amount of
27 tax revenue collected in the city from taxes levied on motor fuel used in and on
28 watercraft of all descriptions under this chapter that is deposited in the special
29 watercraft fuel tax account and is allocable under AS 43.40.010(f)(1); and

30 (3) to each borough

31 (A) the tax revenue collected in the area of the borough outside

1 cities from taxes levied on motor fuel used in and on watercraft of all
2 descriptions under this chapter that is deposited in the special watercraft fuel
3 tax account and is allocable under AS 43.40.010(f)(1); and

4 (B) 50 percent of the amount of tax revenue collected in cities
5 located within the borough from taxes levied on motor fuel used in and on
6 watercraft of all descriptions under this chapter that is deposited in the special
7 watercraft fuel tax account and is allocable under AS 43.40.010(f)(1).

8 (b) Notwithstanding the provisions of (a)(2) and (a)(3)(B) of this section, the
9 commissioner shall pay

10 (1) to each city that is located in a borough incorporated after the
11 effective date of this Act the following percentages of the tax revenue collected in the
12 city from taxes levied on motor fuel used in and on watercraft of all descriptions under
13 this chapter that is deposited in the special watercraft fuel tax account and is allocable
14 under AS 43.40.010(f)(1):

15 (A) 90 percent of the taxes collected during the calendar year
16 in which the borough is incorporated;

17 (B) 80 percent of the taxes collected during the first calendar
18 year after the calendar year in which the borough is incorporated;

19 (C) 70 percent of the taxes collected during the second calendar
20 year after the calendar year in which the borough is incorporated; and

21 (D) 60 percent of the taxes collected during the third calendar
22 year after the calendar year in which the borough is incorporated; and

23 (2) to each borough that is incorporated after the effective date of this
24 Act the following percentages of the tax revenue collected in the cities located within
25 the borough from taxes levied on motor fuel used in and on watercraft of all
26 descriptions under this chapter that is deposited in the special watercraft fuel tax
27 account and is allocable under AS 43.40.010(f)(1):

28 (A) 10 percent of the taxes collected during the calendar year
29 in which the borough is incorporated;

30 (B) 20 percent of the taxes collected during the first calendar
31 year after the calendar year in which the borough is incorporated;

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(C) 30 percent of the taxes collected during the second calendar year after the calendar year in which the borough is incorporated; and

(D) 40 percent of the taxes collected during the third calendar year after the calendar year in which the borough is incorporated.

(c) Notwithstanding the provisions of (b) of this section, a city may adopt an ordinance to transfer a portion of the funds received under (b)(1) of this section to the borough in which the city is located.

(d) If a person sells or transfers motor fuel used in or on a watercraft of any description, in addition to the information required on the tax return filed under AS 43.40.075,

(1) the person must report the location in which the motor fuel was first sold or transferred; and

(2) if the sale or transfer occurred within a municipality other than the municipality in which the motor fuel was purchased or stored, the person shall submit to the department a statement disclosing the motor fuel sales or transfers that the person made during the preceding calendar month outside the municipality in which the motor fuel was purchased or stored.

(e) In this section, "tax revenue collected," as used with reference to a municipality, means the revenue derived from the tax levied on motor fuel used in and on watercraft of all descriptions under this chapter that is collected in the municipality in which the final sale or transfer occurred.

* Sec. 7. This Act takes effect July 1, 1995.

SENATE FINANCE
COMMITTEE

Amendment Number: 1 Replacement 2 9-LS05150.3
Bill Number: CSHB 122(FIN) Chenoweth
Sponsor: Sharp Date: 5/13/95 5/12/95
Logged In By: JMM

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR SHARP

TO: CSHB 122(FIN)

1 Page 2, line 30:

2 Delete "for water and harbor facilities"

3 Insert "for

4 (A) water and harbor facilities that are

5 (i) municipally owned and operated; or

6 (ii) state facilities, other than facilities of the Alaska

7 marine highway system, and that become municipally owned and

8 operated water and harbor facilities by transfer from the state;

9 appropriations may be made for the purpose of paving these

10 refunds to a municipality only after transfer of all state water and

11 harbor facilities in the municipality from the state to the

12 municipality; or

13 (B) new or expanded water and harbor facilities to be

14 constructed by a municipality, but only if the municipality has presented

15 to the commissioner of transportation and public facilities a plan for the

16 construction of new or expanded facilities in the municipality, and the

17 commissioner of transportation and public facilities finds, and certifies to

18 the commissioner of revenue, that the making of the refund payment

19 under this subparagraph will materially assist the municipality in

20 planning, designing, constructing, and operating the new or expanded

21 water and harbor facilities;"

STATE OF ALASKA

DEPARTMENT OF REVENUE

TONY KNOWLES, GOVERNOR

INCOME AND EXCISE AUDIT
P. O. BOX 110420
JUNEAU, AK 99811-0420
FAX: (907) 465-2375

May 11, 1995

Representative Carl Moses
Attn: Cheryl Sutton
State Capitol #204
Juneau, Alaska 99801

Dear Representative Moses;

The following information is provided in regards to your questions on maine fuel tax and HB 122.

1) Should the Department of Revenue (DOR) be required to conduct annual audits on each municipality to assure that marine fuel proceeds, shared with them, are spent on boat harbors and related activities?

DOR does not currently perform audits of municipal expenditures nor do we have staff available. The state currently has numerous programs that share funds back to local governments. Most are not the responsibility of DOR. It may be more effective for the state auditors, Legislative Audit, to perform this function.

2) Should all "heavy fuels" be taxed at \$.01 to \$.015 per gallon versus the current tax of \$.05 per gallon up to state collections of \$205,000 then revert to a net tax rate of \$.01 per gallon?

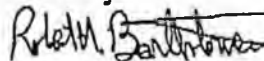
DOR does not have sufficient data to assess the impact of such a change. To date very little "residual fuel oil" sales have been reported. Currently HB 122 does not increase the net tax liability on residual fuel oil. More tax may be required to be paid up front and thus larger refunds once the \$205,000 threshold is exceeded. This response is based on the assumption that the term "heavy fuels" is the same as the term "residual fuel oil" used in HB 453, passed last year?

3) Why do qualified fuel dealers have to pay tax for fuel sales even when they were unable to collect the tax from the consumer?

Current statute and regulations have placed the tax liability on a fuel dealer. This is an effective and efficient method of tax collection. It is true that the risk of uncollectible debts rests with the dealers, but they may be in the best position to make decisions on customers eligible for credit sales.

Please call if you have additional questions.

Sincerely



Robert N. Bartholomew



PETRO MARINE SERVICES

A HARBOR ENTERPRISES COMPANY

P.O. Box 389 • Seward, Alaska 99664 • (907) 224-3180

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Nikiski
(907) 778-8000

Kodiak
(907) 488-3421

Dutch Harbor
(907) 581-1350

Seattle
(206) 283-0075

Alaska Oil Sales
(907) 252-2250

FROM: SEWARD TELEFAX NO. 907-224-3937 DATE: May 11, 1995

PLEASE DELIVER THE FOLLOWING PAGES TO:

NAME: SENATOR RICK HALFORD

FIRM: SENATE/FINANCE CO-CHAIR

CITY: JUNEAU, AK

FAX #: (907) 465-4928

RE: HB-122

TOTAL NUMBER OF PAGES INCLUDING THIS PAGE: 03

COMMENTS: I UNDERSTAND HB-122 IS CURRENTLY IN THE SENATE FINANCE COMMITTEE. IN THAT I HAVE JUST RECENTLY BECOME AWARE OF THIS BILL, I RESPECTFULLY REQUEST THAT THIS PIECE OF LEGISLATION BE HELD OVER, THUS AFFORDING ALL INTERESTED AND AFFECTED PARTIES AN OPPORTUNITY TO PROVIDE FURTHER INPUT ON HB-122. MY CONCERNS AS A PETROLEUM MARKETER HEREWITH FOLLOWS. I APPRECIATE YOUR CONSIDERATION.

SIGNED: [Signature]
HARBOR ENTERPRISES, INC.
BY: D. R. LINDSEY

PLEASE NOTIFY US IMMEDIATELY IF YOU DO NOT RECEIVE ALL PAGES

OPERATOR: TAMMY at 907-224-3180

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SEATTLE	206-283-0075	HOMER	907-235-5539
SOLDOTNA	907-262-7180		

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

DATE: May 11, 1995
TO: Ray Gillespie
FROM: D.K. Lindsey
SUBJECT: Proposed HB 122

My concerns with HB-122 are as follows:

1. Thusfar there has been NO quantifiable proof that increasing the Marine Fuel Tax from \$0.05 to \$0.08 per gallon is necessary.

2. Has any thought been given to the State sharing the current \$0.05 per gallon Marine Fuel Tax with the various municipalities?

3. In the event the increase is passed by the legislature I feel the State Department of Revenue/Audit Division should conduct an annual audit on each municipality for the specific purpose of verifying that every dollar collected and disbursed is spent on marine related projects, i.e. boat harbors, floats, docks etc. and not used as a means for curing their budget shortfalls.

4. Thought needs to be given to the fact that there is NO Marine Fuel Tax in the State of Washington; thus the price disparity in Alaska will increase by \$0.03 per gallon to approximately \$0.16 per gallon on average.

5. Irrespective of the \$205,000 cap on bunker/residual fuel, the fact is this increase in tax further exacerbates the problem by increasing the tax on a low value fuel. Accordingly, there should be a tax of \$0.01 to \$0.015 per gallon on all heavy fuels and drop the cap. This should be made a part of the Bill.

6. In many instances this tax increase provides municipal owned docks a competitive advantage over private owned docks some of which are in direct competition with public owned facilities. In essence, marine fuel dealers will be charged with collecting a tax that will subsidize and compete with their own docks and fuel floats.

7. Under existing statute fuel distributors are required to remit the appropriate tax on ALL sales even those with whom we have been unable to collect from. Thus by increasing the tax by \$0.03 all fuel dealers will have their liability on uncollectible sales increased accordingly. This is patently unfair!

8. All vessels which use public owned and operated facilities already pay for berthing, wharfage, fuel thruput fees, freight tonnage tariffs, etc. all of which are in addition to the \$0.05 per gallon marine fuel tax. If marine fuel tax is defined as a "user tax" it appears to me that that the tax as a whole represents double taxation.

I have thusfar held back on organizing opposition to HB 122. Given time I believe I could effectively "kill" this Bill in its present form. Out of respect for you and Carl I will not do anything until I hear from you both on my aforementioned concerns.

P.S. What is the status of this bill as of today?

PETRO MARINE SERVICES

Petroleum Marketing to the Marine Industry

FISCAL NOTE

Revision Date: _____ Dept. Affected: Revenue
 Title: Marine Motor Fuel Tax BRU: Audit Operations/Shared Taxes
 Component: Income and Excise Audit
 Sponsor: Rep. Moses, Grussendorf, Mackie
 Requestor: (H) FIN COMPONENT SERIAL NO. 113

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CAPITAL						
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Other						
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POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director Phone: 465-2320
 Division: Income and Excise Audit Date: 4/28/95
 Approved by Commissioner: [Signature] Date: 4/28/95
 Agency: Department of Revenue

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DEPARTMENT OF REVENUE

CSHB 122 (FIN)
9-LS0515M
April 28, 1995
Page 2 of 3

Bill Analysis

Sections 1 and 2 of this bill would amend motor fuel tax statutes (AS 43.40) by effectively increasing the motor fuel tax rate on marine fuel by 3¢ per gallon (from 5¢ to 8¢ per gallon) through repeal of subsections which authorize a separate tax rate for marine motor fuel at the lesser rate.

Section 3 would provide for sharing the 3¢ per gallon tax increase to municipalities. Under this section, Department of Revenue would share 37.5% (3¢ divided by 8¢) of marine fuel tax revenue with municipalities subject to appropriation by the legislature. The balance of marine fuel tax revenue not shared (5¢ portion) may be appropriated for water and harbor facilities.

Section 4 would require that revenue from the 3¢ portion of the tax less the amount required to be expended for collection of the tax be shared to municipalities in which marine fuel taxes were collected. Taxes would be shared with municipalities in which the final sale or transfer occurred. This section provides for a phase-in of shared amounts for boroughs which incorporate after the effective date of the bill. This section requires that marine fuel resellers report sales or transfers of marine fuel which is sold in or transferred to a location other than where the fuel was purchased or stored.

Section 5 provides for an effective date of July 1, 1995 for this bill.

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This bill would add new reporting requirements for motor fuel taxpayers (qualified dealers) by requiring them to report marine fuel sales by location. Qualified dealers report each month their motor fuel activity on a statewide basis and do not report the locations of their motor fuel sales. Location information would be required for the Department to share taxes to municipalities.

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This bill would require that the Department data capture the additional information reported on monthly returns filed by qualified dealers and resellers. Reports from resellers will cause additional workload because the Department will have to track movement of fuel to different locations and make accounting adjustments to records of each of the affected municipalities.

DEPARTMENT OF REVENUE

CSHB 122 (FIN)
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April 28, 1995
Page 3 of 3

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The Department would share revenue collected from the 3¢ tax rate increase less the amount required to be expended for collection of the tax. This amount is reflected as an operating cost under "Grants, Claims".

Revenue

Based on FY 94 consumption data, the 3¢ per gallon marine fuel tax increase under this bill would generate \$4,975.2, calculated as follows.

FY 94 Taxable Gallons	CSHB 122 (3¢ per Gallon)	Current Rate (5¢ per Gallon)	Revenue Increase
165,840,000	\$13,267,200	\$8,292,000	\$4,975,200

Under this bill, the revenue increase less amounts required to be expended for collection of the tax would be shared to municipalities. The amount to be shared to municipalities is reflected as an operating cost under "Grants, Claims" in this fiscal note.

Revision Date: 4/26/95 Dept. Affected: Revenue
 Title: Marine Motor Fuel Tax BRU: Audit Operations/Shared Taxes
 Component: Income and Excise Audit
 Sponsor: Rep. Moses, Grussendorf, Mackie
 Requestor: (H) FIN COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	40.6	42.0	43.5	45.0	46.6	48.2
TRAVEL						
CONTRACTUAL	4.0	3.0	3.0	3.0	3.0	3.0
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	5.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
MISCELLANEOUS						
TOTAL OPERATING	5,025.8	5,021.2	5,022.7	5,024.2	5,025.8	5,027.4

CAPITAL						
----------------	--	--	--	--	--	--

REVENUE FUND SOURCE: GF	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5,025.8	5,021.2	5,022.7	5,024.2	5,025.8	5,027.4
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	5,025.8	5,021.2	5,022.7	5,024.2	5,025.8	5,027.4

POSITIONS:

FULL-TIME	1	1	1	1	1	1
PART-TIME						
TEMPORARY						

Estimate of current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 4/26/95
 Approved by Commissioner: *[Signature]* Date: 4/26/95
 Agency: Department of Revenue

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Bill Analysis

Sections 1 and 2 of this bill would amend motor fuel tax statutes (AS 43.40) by effectively increasing the motor fuel tax rate on marine fuel by 3¢ per gallon (from 5¢ to 8¢ per gallon) through repeal of subsections which authorize a separate tax rate for marine motor fuel at the lesser rate.

Section 3 would provide for sharing the 3¢ per gallon tax increase to municipalities. Under this section, Department of Revenue would share 37.5% (3¢ divided by 8¢) of marine fuel tax revenue with municipalities subject to appropriation by the legislature. The balance of marine fuel tax revenue not shared (5¢ portion) may be appropriated for water and harbor facilities.

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The Department would share revenue collected from the 3¢ tax rate increase as calculated below. Accordingly, \$4,975.2 would be shared to municipalities under this bill. This amount is reflected as an operating cost under "Grants, Claims".

Revenue

Based on FY 94 consumption data, the 3¢ per gallon marine fuel tax increase under this bill would generate \$4,975.2, calculated as follows.

FY 94 Taxable Gallons	CSHB 122 () (8¢ per Gallon)	Current Rate (5¢ per Gallon)	Revenue Increase
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Under this bill, the revenue increase above would be shared to municipalities. The amount to be shared to municipalities is reflected as an operating cost under "Grants, Claims" in this fiscal note.

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EQUIPMENT	5.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS	4,924.6	4,929.2	4,927.7	4,926.2	4,924.6	4,923.0
MISCELLANEOUS						
TOTAL OPERATING	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2
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REVENUE FUND SOURCE: GF	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2	4,975.2

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ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Bartholomew, Deputy Director *Robert N. Bartholomew* Phone: 465-2320
 Division: Income and Excise Audit Date: 4/28/95
 Approved by Commissioner: *[Signature]* Date: 4/28/95
 Agency: Department of Revenue

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DEPARTMENT OF REVENUE

CSHB 122 (FIN)

9-LS0515\M

April 28, 1995

Page 2 of 3

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CSHB 122 (FIN)
9-LS0515M
April 28, 1995
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Alaska State Legislature
Representative Carl E. Moses

CHAIRMAN
HOUSE RULES COMMITTEE

VICE-CHAIRMAN
HOUSE SPECIAL COMMITTEE ON FISHERIES

MEMBER
HOUSE SPECIAL COMMITTEE ON
ECONOMIC DEVELOPMENT

COMMITTEE ON COMMITTEES

FINANCE SUBCOMMITTEES
TRANSPORTATION AND PUBLIC FACILITIES
FISH & GAME



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ANCHORAGE, ALASKA 99501-2133
PHONE: (907) 258-2167
FAX: (907) 258-3468

MEMORANDUM

RECEIVED

MAY 8 REC'D

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

FROM: Representative Carl E. Moses, Chairman *CEM*
House Rules Committee

DATE: May 7, 1995

RE: Scheduling of House Bill 122

I would respectfully request the scheduling of House Bill 122 for a hearing. HB 122 raises the marine fuel tax by \$.03 and shares this amount back to municipalities where the fuel is sold. This money is to be spent for water and harbor facilities.

The personal services costs for Revenue will be taken from the increased tax before it is shared to municipalities and, therefore, does not decrease the current general fund contribution from the marine fuel tax.

Thank you for considering my request.

Alaska State Legislature

Representative Carl E. Moses

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HOUSE RULES COMMITTEE

VICE-CHAIRMAN
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PHONE: (907) 258-8167
FAX: (907) 258-3468

SPONSOR STATEMENT

Committee Substitute House Bill 122

An Act authorizing payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities.

Committee Substitute for House Bill 122 accomplishes the following:

1. Increases the marine fuel tax from \$.05 to \$.08 per gallon.
2. Shares \$.03 back to the municipalities where the marine fuel is sold.
3. Keeps the revenue generated from the \$.05 tax in the general fund.
4. Has a fiscal note of @ \$40,000 to add an Accounting Technician in Revenue.

The intent of Committee Substitute House Bill 122 is to increase the marine fuel tax and provide a distribution mechanism for \$.03 of the tax to be shared back to the communities where marine fuels are sold. This money is designated for "water and harbor facilities".

CSHB 122 would provide some assistance to local governments for additional development of docks and harbors and for the maintenance and development of existing public facilities.



MAR 17 1995

217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907) 586-1325, Fax (907) 463-5480

March 16, 1995

TO: Representative Carl Moses

FROM: Kevin C. Ritchie
Executive Director

RE: House Bill 122 - Payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities

The Alaska Municipal League is writing in support of HB 122, which would provide a portion of the motor fuel taxes collected by the state to be refunded to municipalities.

The statute now requires a substantial part of the state-collected aviation fuel taxes be refunded to any municipality operating an airport where the fuel taxes were collected. Similarly, the tax proceeds from marine fuels should be refunded to each municipality which bears the burden.

Under the Transportation Section of the Alaska Municipal League's 1995 Policy Statement, this issue is addressed as follows:

"The League supports amendment of the statute on marine fuel taxes (AS 43.40) so that marine fuel taxes collected in any municipality which the state has required to take over responsibility for harbor and dock expenses, or where the municipality holds existing responsibilities for these expenses, must be refunded to that municipality."

If you have any questions, please feel free to call me at 586-1325.



MAR 21 1995

March 17, 1995

Representative Carl E. Moses
State Capital Building
Juneau, Alaska 99801-1182

Attn: Cheryl Sutton

Sent via FAX: 465-3445
Original Letter Mailed

RE: SUPPORT FOR HB 122

Dear Representative Moses:

Thank you for sponsoring HB 122, "An Act authorizing payment of a portion of the motor fuel tax on boats and watercraft as refunds to municipalities". The City of Valdez heartily supports passage of this legislation and wishes to work to see it enacted this year. Please insure that these comments are made part of the record for a hearing on this bill scheduled for March 18 before the State Affairs Committee.

As you mention in your "Sponsor Statement", harbor and port facilities represent vital infrastructure for Alaska's coastal communities. As the State of Alaska seeks to diversify and stabilize its economy the development, operation, and maintenance of harbor and port facilities will become even more important.

Most, if not all, of the State of Alaska harbors operated by municipalities are in disrepair due to lack of maintenance and the inability to generate enough revenues to stay on top of maintenance demands. I do not believe this maintenance deficit is for lack of trying. Most harbors do generate considerable income from slip rental fees and associated harbor services. But the costs of maintaining harbor facilities is enormous, particularly in Alaska. The brutal weather (wind and snow), the corrosive effects of a salt water environment, and the wear from larger boats and inexperienced boat handlers (increased sport boating/fishing) make Alaska's harbors voracious consumers of maintenance dollars. As a city manager seeking to meet too many needs with not enough money, I always shutter when I sit down with my Harbormaster to talk about harbor construction or maintenance projects. My "rule of thumb" has become to figure what I think a project should cost and then triple it. Even then, I am sometimes on the low side. Maintenance problems also open a municipality up for liability claims from falls and other accidental injury at the harbor.

Representative Carl Moses
March 17, 1995
page 2

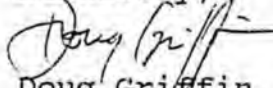
Ports and docks also suffer from the maintenance dilemma. These facilities provide jobs and support the fishing, tourism, and transportation industries. But damage due to weather, wear, accident, and age also presents a maintenance challenge for tight municipal budgets. Valdez has two docks and each has sustained accident damage this winter. The City Has recovered some reimbursement from one of the accidents. Damage cannot always be attributed to a particular vessel and recovery of full reimbursement for repairs is far from certain. It often comes down to a cost of doing business.

The reduction of State Revenue Sharing and Municipal Assistance by about 55% over the last ten years has taken its toll. The sharp decline in State spending on maintenance for harbors has been felt and can be seen all along the coast of Alaska. Ports and harbors are local government concerns that help build and sustain a large part of Alaska's economy, yet the funding for providing this important service is restricted. The only positive development in meeting port and harbor maintenance needs has been the Capital Matching Grant program.

HB 122 seeks to direct money to local governments so it can have another source of funding for the maintenance and operation of vital marine facilities. It is not clear to me that these shared taxes would need to be directed to harbor and port maintenance, however, it would be my intent to recommend to my City Council the commitment of these dollars for that purpose even if it is not required. I believe those that pay these taxes are a lot more understanding and supportive of paying if the taxes are directed back to develop or maintain critical marine infrastructure.

Thank you again for sponsoring this bill. I hope it is favorably considered and enacted. I will be happy to answer any questions you may have.

Sincerely,


Doug Griffin
City Manager

cc: Valdez Mayor John Harris
Valdez City Council Members
Senator Georgianna Lincoln
Representative Gene Kubina
Representative Jeannette James, Chair of House State Affairs
Pat Pourchot, Legislative Liaison, Governor's Office
Kevin Ritchie, Executive Director, Alaska Municipal League
Tim Lopez, Valdez Harbormaster/Port Director

CONCEPTUAL AMENDMENT #1 Replacement

OFFERED IN THE SENATE
TO: CSHB 122 (FIN)

BY FRANCIS SHARP
SENATE FINANCE COMMITTEE
Amendment Number: #1 Replacement
Bill Number: HB 122
Sponsor: Sharp Date: 5/9/95
Logged In By: *[Signature]*

Page 2, line 30, after "AS 43.40.150":

Insert "that own, operate, maintain under lease or have a plan approved by the state"

CONCEPTUAL AMENDMENT

OFFERED IN THE SENATE
TO: CSHB 122 (FIN)

BY SENATOR SHARP

SENATE FINANCE
COMMITTEE

Amendment Number: 1

Bill Number: HB 122

Sponsor: Sharp Date: 5/9/95

Logged In By: JFR

Page 2, line 30:

Delete "for"

Page 2, line 30, after "AS 43.40.150":

Insert "that own, operate, or maintain under lease"