

**SB**

**41**

<TARGET><BILL>SB 41</BILL><SUBJECT>SB  
41</SUBJECT><COMM>STRA27</COMM></TARGET>



## SENATE TRANSPORTATION COMMITTEE

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State Capitol, Room 11  
Juneau AK, 99801-1182  
907-465-6828

TO: Senate Transportation Committee

FROM: Senator Albert Kookesh, Chair *a.kookesh*  
Senate Transportation Committee

DATE: March 22, 2012

RE: Senate Transportation Schedule for the week  
March 26-30, 2012

**Tuesday, March 27, 2012: 1pm to 3pm, Butrovich Room 205**

+**SB 41**: An Act suspending the motor fuel tax (by the Senate Rules Committee at the request of the Governor)

**Thursday, March 29, 2012: 1pm to 3pm, Butrovich Room 205**

+Overview of Parks Highway—Wasilla Bypass (Department of Transportation)

+ teleconference

Please contact Nancy Barnes at 465-6828 if you have any questions.

AMENDMENT

OFFERED IN THE SENATE TRANSPORTATION  
COMMITTEE  
TO: SB 41

BY \_\_\_\_\_

1 Page 1, line 7:

2 Delete "2011"

3 Insert "2012"

4 Delete "2013"

5 Insert "2014"

6

7 Page 2, line 5:

8 Delete "2013"

9 Insert "2014"

# State of Alaska

## Department of Revenue

*Administrative Services Division*



## SEAN PARNELL, GOVERNOR

333 Willoughby Avenue, 11<sup>th</sup> Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

January 20, 2011

The Honorable Albert Kookesh  
Senate Transportation Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

### **SB41 Suspension of Motor Fuel Tax By Request of the Governor**

#### **SECTION ANALYSIS**

#### **Section 1: Suspension of the Motor Fuel Tax.**

- (a) Suspends collection of the motor fuel tax imposed under AS 43.40.010 for two years beginning July 1, 2011 ending June 30, 2013.
- (b) Requires motor fuel distributors to report the amount of motor fuel sold or transferred in the state to the Department of Revenue and provides for a penalty of up to \$5,000 for failure to report.
- (c) The Department of Revenue would be able to immediately draft regulations to implement the suspension.

**Section 2: Repealer.** Repeals Section 1(a) (the tax suspension) on June 30, 2013.

**Section 3: Effective Date.** Provides for an immediate effective date.

STATE CAPITOL  
PO Box 110001  
Juneau, Alaska 99811-0001  
907-465-3500  
fax: 907-465-3532



Governor Sean Parnell  
STATE OF ALASKA

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[www.gov.alaska.gov](http://www.gov.alaska.gov)  
Governor@alaska.gov

January 14, 2011

The Honorable Gary Stevens  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 111  
Juneau, AK 99801-1182

Dear President Stevens,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill suspending the State motor fuel tax. In an effort to provide immediate, individual tax relief, I am proposing that the State motor fuel tax be suspended for a period of 24 months.

The actual amount of money saved by Alaskans will vary depending on the type of fuel being purchased; however, most consumers should save eight cents per gallon when fueling their vehicle, boat, or plane. Since many Alaskan communities face the highest energy costs in the nation, this relief is urgently needed. While suspending the motor fuel tax would provide a temporary reduction in the cost of motor fuel, action is necessary for long term solutions to high energy costs.

I urge your prompt and favorable action on the bill.

Sincerely,

A handwritten signature in black ink that reads "Sean Parnell". The signature is written in a cursive style with a large initial "S".

Sean Parnell  
Governor

Enclosure



# STATE OF ALASKA

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

**SEAN PARNELL, GOVERNOR**

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☐ Juneau Office: 3132 Channel Drive

P.O. Box 112500  
JUNEAU, ALASKA 99811-2500

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WEB: [dot.state.ak.us](http://dot.state.ak.us)

### HB 102 / SB 41 Suspending Motor Fuel Tax

#### Highlights

Thank you for your interest in the Governor's legislation regarding suspending Alaska's motor fuel tax for the next two years. The tax suspension is one of many efforts this administration is putting forward to improve the economic health of Alaskans. The motor fuel tax suspension will provide immediate tax relief to nearly every citizen in every community across the state.

The actual amount of money saved by Alaskans will vary depending on the type of fuel being purchased; for example, consumers should save 8 cents per gallon when fueling their vehicles, 5 cents per gallon for marine fuel and 4.7 cents per gallon for aviation fuel.

Many Alaskan communities face the highest energy costs in the nation. Motor fuel tax relief is one step in our efforts to improve Alaska's daily living expenses. Suspending the state motor fuel tax will:

- Leave more money in Alaskan's pockets
- Circulate more money in Alaska's economy
- Save Alaskans \$40 million each year of the suspension

FAQ's:

#### **Will suspending the motor fuel tax impact Alaska's federal highway funding?**

Suspending the motor fuel tax will not impact Alaska's federal highway funding. The taxes go into the general fund. There is no dedicated fund to highways. Motor fuel tax dollars are just as likely to be spent on a capital project for a building or for any of the hundreds of expenditure types that come out of the state general fund. There is no federal requirement that states must collect a gas tax to support transportation.

#### **Will the consumer see the savings at the pump?**

Studies from MIT indicate that most of the savings from gas tax suspensions are passed onto the consumer. When Alaska suspended the gas tax in 2008 there was a roughly 8 cent a gallon decrease in gasoline prices in Anchorage the day the tax was suspended. When the suspension was lifted, gasoline prices immediately increased by 8 cents. We

*"Providing for the safe movement of people and goods and the delivery of state services."*

cannot verify that every cent of the tax suspension was passed onto consumers, but Alaskan consumers will pay nearly \$40 million dollars in taxes that are not necessary to collect at this time.

**How will this tax suspension actually help Alaska's economy?**

Certain areas of our economy tend to benefit more from gas tax suspensions. Alaska's largest private employer, the fishing industry, will benefit significantly from the tax suspension. The aviation industry will also significantly benefit from a gasoline tax suspension, and the Alaska Air Carriers Association passed a resolution in support of the motor fuel tax suspension. The National Federation of Independent Business/Alaska is also in support of suspending the motor fuel tax because of the high cost of fuel on small businesses in Alaska. Motorists who commute significant distances each day will also see higher than average savings.

**Will Congress retaliate against Alaska for a gas tax suspension?**

It is unlikely. Several states that suspended their gas tax before the passage of SAFETEA-LU in 2005 actually saw an increase of federal highway aid funds of roughly 20-30% from the levels they were receiving before they suspended their gas taxes. Presumably, state tax policy is a matter of state's rights that Congress will respect.



**FOR IMMEDIATE RELEASE**

**No. 10-005**

### **Governor Parnell Calls for Two-Year Motor Fuel Tax Suspension**

January 12, 2010, Juneau, Alaska – Governor Sean Parnell today transmitted legislation to suspend the motor fuel tax for two years. The suspension would apply to gasoline, diesel, marine fuel and aviation fuel.

“Alaskans continue to pay some of the highest fuel prices in the nation,” Governor Parnell said. “We need to ease the burden placed on our residents while we work to find long-term solutions to the high energy costs across our state.”

The tax was suspended as part of an energy assistance bill in 2008, when Alaskans faced ballooning costs for both transportation and home heating fuels. The suspension lapsed in September 2009.

**A copy of the bill and transmittal letters are available at:**

[http://www.gov.state.ak.us/pdf/MotorFuelTaxLetter\\_Jan8-2010.pdf](http://www.gov.state.ak.us/pdf/MotorFuelTaxLetter_Jan8-2010.pdf)

###



March 12, 2012

The Honorable Sean Parnell  
Governor, State of Alaska  
P.O. Box 110001  
Juneau, AK 99811-0001

RECEIVED

MAR 15 2012

DOT & PF  
Commissioner

RECEIVED

MAR 13 2012

DOT & PF Commissioner

Dear Governor Parnell:

Alaska Airlines would like to lend its support for the passage of House Bill 102 (HB 102). We believe passage of this bill will have a substantive impact on the financial well being of not only our industry but also the aviation infrastructure throughout the state.

Our state is extremely dependent on air transportation, and with the escalating prices of fuel, there is rightful concern for the future. This is particularly true with regional carrier markets in rural sectors of the state.

As an employer of close to 1,700 within the State, we are also aware of the impact gasoline prices have on Alaska residents. Any help passed on to consumers can only help the economy as a whole.

Please let me know of any help Alaska Airlines may provide to assist in the passage of HB 102.

Sincerely,

Marilyn F. Romano  
Regional Vice-President – Alaska

Cc: Marc A. Luiken, Commissioner, Alaska DOT & PF  
Steven Hatter, Deputy Commissioner, Alaska DOT & PF – Aviation  
Kim Hutchinson, Trust Consultants

March 13, 2012

The Honorable Sean Parnell, Governor  
State of Alaska  
PO Box 110001  
Juneau, AK 99811-0001

Sent via email: Sean.Parnell@alaska.gov

Dear Governor Parnell:

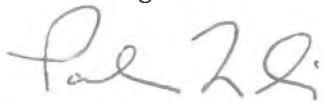
CIRI Alaska Tourism Corporation (CATC) strongly supports the passage of House Bill (HB 102). The passage of this legislation will benefit tourism in a critical time of need.

The margins for success in marine, aviation and highway businesses that depend on discretionary tourism dollars are increasingly thin. While many tourists understand rising energy costs, there is a limit to what they are willing to pay in the form of surcharges to keep companies semi-whole. There are a number of businesses who depend on the success of our operations in order to sustain their own.

In the peak of the tourist season, CATC creates over 400 jobs in Alaska. This legislation is beneficial to workers statewide, and will stimulate an additional layer of discretionary spending on local goods and services.

CIRI Alaska Tourism Corporation stands ready to assist you in the passage of House Bill 102.

Best Regards,



Paul Landis  
President and Chief Operating Officer  
CIRI Alaska Tourism Corporation



## ALASKA AIR CARRIERS ASSOCIATION

2301 Merrill Field Drive, Suite A-3  
Anchorage, Alaska 99501  
907-277-0071 907-277-0072 fax

*Board of  
Directors  
2010 - 2011*

*Jerry Rook, President  
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*Bob Yerex  
MAXVIZ, INC.*

*C. Joy Journey  
Executive Director  
ALASKA AIR CARRIERS  
ASSOCIATION*

3 February 2011

The Honorable Sean Parnell  
Alaska State Capitol Building  
P.O. Box 110001  
Juneau, AK 99811-0001

**RE: Support for Senate Bill SB 41**

Dear Governor Parnell:

The Alaska Air Carriers Association (AACCA) represents the interests of Alaska's aviation businesses before regulatory agencies, federal, state and local governments. Our members meet the needs of rural Alaskans and the traveling public by providing scheduled commuter travel, on-demand air charter, emergency medical evacuation, flight seeing, pilot training, aircraft maintenance, parts sales, fuel sales, storage, rental, and airline servicing.

The cost of fuel for flight operations is usually the greatest expense borne by aviation companies providing a lifeline to communities in Alaska. Because 82 percent of the communities in Alaska are only reached by air, the citizens in those communities ultimately pay the fuel taxes levied on aviation jet fuel in Alaska.

In addition, the geographic footprint in Alaska is roughly 1500 miles by 2700 miles, resulting in a flight area of over 3 million square miles. The long range aviation support required across this expansive State results in the consumption of large volumes of jet fuel.

Alaska's population ships 39 times more freight per person than those in the Lower 48. They travel by air eight times more often than other rural areas in the Western U.S. Coupling the frequency of travel with the largest aviation system in the U.S. results in our citizens paying a correspondingly larger portion in fuels taxes than may appear to be true at first glance.

The Alaska Air Carriers Association is committed to providing air transportation to the citizens of Alaska, and is committed to helping protect those citizens from undue burden. We urge the Alaska Senate to consider the benefits of Senate Bill SB 41 and to embrace this relief for the citizens and businesses of Alaska.

Thank you for considering this request.

Sincerely

C. Joy Journey, Executive Director

## B.C. Lauded for Eliminating Jet Fuel Tax

By [Joan Delaney](#) On February 25, 2012 @ 12:09 am In [National](#) | [No Comments](#)



An airplane takes off from Vancouver International Airport in a file photo. In its recent budget, B.C. eliminated the provincial aviation fuel tax on international flights, effective April 1. (AFP/Getty Images)

**VICTORIA**—One of the goodies in B.C.'s recent budget was the elimination of the provincial aviation fuel tax on international flights, effective April 1.

The move has been welcomed both by airline carriers and the Canadian Airport Council (CAC), which said it will stimulate international air capacity and give travellers more choice.

"B.C.'s move recognizes the importance of Canada's tourism sector to the Canadian economy, the role of aviation for Canada's inbound tourism, and the stimulatory effect of reducing the fiscal burden on our interconnected sectors," said CAC vice chair Tom Ruth.

According to a B.C. government press release, the elimination of the tax will save airlines \$12 million in 2012/2013 and increase flights, giving the province greater trade access to foreign markets and increasing its competitiveness.

The CAC, which represents more than 200 airports, said Canada's ranking as a destination for international tourists has fallen from 8th place in 2000 to 15th place in 2009.

In that time, the tax burden on aviation in Canada has gradually increased and the World Economic Forum now ranks Canada's travel sector 106th in terms of price competitiveness.

In addition to federal airport rent, the federal burden includes the Air Travellers Security Charge, and the Goods and Services Tax/Harmonized Services Tax. There is a provincial fuel tax still in place in Ontario and many airports also pay municipal payments in lieu of tax.

In order to bolster the tourism industry and help position Canada to take advantage of tourism growth opportunities, the federal government launched the Federal Tourism Strategy in October 2011.

"B.C.'s initiative follows the welcome move by the federal Minister of Small Business and Tourism to finalize and unveil a Federal Tourism Strategy—a multi-departmental and intergovernmental commitment to tackle the obstacles to Canada's world competitiveness as a tourism destination," said CAC president Daniel-Robert Gooch.

"Cost is an important element in that equation."

The B.C. government said eliminating the tax brings the province in line with the neighbouring jurisdictions of Alberta, Washington, and California, which do not have a comparable fuel tax.

*B.C.'s move recognizes  
the importance of  
Canada's tourism  
sector to the Canadian  
economy.*

*—Tom Ruth, Canadian  
Airport Council*

Air Canada also praised the move, along with a decision by the Vancouver Airport Authority to freeze landing and terminal fees until 2015.

“These types of initiatives help contribute to the competitiveness of the Canadian aviation landscape in the global marketplace,” said Ben Smith, Air Canada’s executive vice president and CEO.

“Following the progressive example now set by the Province of B.C. and in 2004 by the Province of Alberta, we urge all governments and authorities to work with the industry as partners in the development of sustainable air services with the economic spin-offs that result.”

Gregg Saretsky, president and CEO of WestJet, said eliminating the tax “represents a clear commitment to support the growth and job creation that aviation brings to the economy of British Columbia,” and urged other provincial governments to follow suit.

“At a time when fees and taxes associated with air travel continue to impact the industry’s competitiveness, we encourage other governments in Canada who have yet to act on this important issue to introduce similar measures to reduce or eliminate fees and taxes.”

China Eastern Airlines said in a release that the change will assist the airline in its “serious consideration” of expanding its services at Vancouver

International Airport. China Eastern currently operates non-stop daily services between Vancouver and Shanghai.

#### Related Articles

- [New US Flight Fee Would Hurt Canadian Airports: Aviation Groups](#)

URL to article: <http://www.theepochtimes.com/n2/canada/b-c-lauded-for-eliminating-jet-fuel-tax-195587.html>

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Compass/Opinion  
Word Count 412  
March 7, 2012

## Would You Like to Save \$40?

By Marc Luiken

Department of Transportation and Public Facilities Commissioner

If you had an extra \$40 for every person in your household, what would you do with it? Save it? Spend it? A little of both? Governor Parnell is proposing a suspension of the 8-cent per gallon gas tax for two years in order to give Alaskans a break off a truly regressive tax.

By regressive, I mean that it hits some of the lowest-income citizens, those who can least afford it. There's no break on the tax based on income level or ability to pay. As of this writing, the average price for a regular gallon of gas in Alaska was hovering at \$4.18 while the rest of the country was paying an average of \$3.75.

Fuel taxes hit Alaskans doubly hard – not only at the gas pump but on all of our goods that are delivered by plane, ship or truck. Merchants add this cost onto the price of products we buy.

Senate Bill 41 and House Bill 102 offer relief from marine and aviation fuel taxes as well, similar to the one-year suspension Governor Palin initiated in 2008. The Attorney General's office noted that when enacted, there was an immediate drop in prices at the pump.

There has been bipartisan support for the suspension. While some have said it doesn't go far enough, many recognize that any tax relief is good for Alaska because that \$42 million would be re-injected back into the economy, where it would multiply five to seven times, stimulating the economy in much the same way Permanent Fund Dividends or Native corporation shareholder checks do when they are issued.

\$42 million works out to about \$40/person, which may not seem like much to some but to many households, particularly our rural families, it is a lot. Multiply that by an average family of four and you have \$160 savings. Add in the lower aviation costs and lower cost of shipped goods, and you are making a positive impact on people's pocketbooks.

I've heard some say that Congress will give us less money for transportation if we enact a tax break. They said the same thing when we instituted the Permanent Fund Dividend, but it didn't change the formula. Several states have lowered their gas taxes and it didn't change their state's share of federal funding either.

Let's give Alaskans a break by suspending the motor fuel tax for two years. It is good for Alaska. I ask your support of HB 102 and SB 41.



March 15, 2012

The Honorable Governor Sean Parnell  
Alaska State Capitol Building  
PO Box 110001  
Juneau, AK 99811-0001

RE: Support for Senate Bill 41 / House Bill 102

Dear Governor Parnell:

Holland America/Princess – Alaska Land Operations manages properties, motor coaches, and railcars throughout Alaska. We provide the experience of a lifetime for visitors coming to Alaska via cruise ship on either Princess Cruises or Holland America Line. In doing so, we are a large part of the tourism equation and economic health of Alaska.

We are supportive of your legislation to suspend Alaska's motor fuel tax for the next two years and urge the Alaska Legislature to not only provide relief to its citizens, but contribute to the economic recovery of the state through the passage of SB 41/HB 102. These bills do both.

Like many business owners in Alaska, we are concerned by the high cost of operations. Many of the small businesses we rely on, such as tour operators, vendors and retailers, are especially concerned by high fuel prices.

The tourism business relies on Alaska staying competitive, and that includes business's ability to keep costs down while providing unique experiences. And in Alaska, most of those experiences require driving or flying epic distances.

The impact on individual Alaskans is just as great. As an employer of more than 3,300 people during the height of the summer season, we are very aware of the cost of fuel to the state's individual consumers.

Thank you for your time and consideration,

Bruce Bustamante  
VP, Community & Public Affairs  
Holland America/Princess – Alaska Land Operations

Alaska puts more General Fund (GF) money into their transportation program than most states. The only states that contribute more in GF dollars are much larger in population and tax bases.

California, Pennsylvania, New York, and Illinois. 15 states don't contribute any GF to their transportation. These figures are from 2009, our most recent report.

STATE	General Funds From Appropriations	TOTAL RECEIPTS
California	2,328,686	21,835,783
Pennsylvania	844,963	6,693,863
New York	588,465	8,034,677
Illinois	540,802	4,987,999
Alaska	337,300	935,475
Louisiana	306,341	2,637,567
Florida	251,573	5,941,287
Dist. of Col.	236,944	457,523
Virginia	235,119	3,018,671
Georgia	232,193	3,580,031
Oklahoma	223,333	1,819,584
Utah	178,367	1,718,104
Massachusetts	115,401	2,751,798
Wyoming	112,759	611,469
Alabama	98,825	1,795,808
Michigan	91,718	3,236,058
Maryland	78,578	2,905,588
Wisconsin	58,507	2,551,710
Delaware	57,427	889,646
Arkansas	54,662	1,059,723
New Mexico	53,781	903,841
Oregon	53,364	1,566,935
Iowa	51,074	1,673,684
Nebraska	49,439	877,075
Kansas	29,032	1,359,780
Texas	25,237	9,516,407
Ohio	21,433	4,652,987
West Virginia	17,889	1,370,705
Vermont	13,439	365,827
Missouri	6,875	2,442,785
North Dakota	6,064	459,705
Kentucky	4,875	2,247,403
Montana	3,468	660,971
Indiana	496	3,035,713
South Carolina	141	1,144,104
Nevada	46	1,091,846
New Jersey	-	5,581,552
Arizona	-	2,868,830
Maine	-	696,209
Washington	-	3,447,192
New Hampshire	-	699,694
Connecticut	-	1,864,807
North Carolina	-	3,540,194
Minnesota	-	2,065,127
Idaho	-	862,922
Colorado	-	2,127,679
Tennessee	-	1,860,157
Hawaii	-	532,415
Mississippi	-	1,111,470
Rhode Island	-	379,193
South Dakota	-	434,645
FEBRUARY 2011		

# STATE OF ALASKA

## DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

OFFICE OF THE COMMISSIONER

**SEAN PARNELL, GOVERNOR**

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P.O. Box 112500  
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PHONE: (907) 465-3901  
FAX: (907) 586-8365  
WEB: dot.state.ak.us

### HB 102 / SB 41 Suspending Motor Fuel Tax

#### Highlights

Thank you for your interest in the Governor's legislation regarding suspending Alaska's motor fuel tax for the next two years. The tax suspension is one of many efforts this administration is putting forward to improve the economic health of Alaskans. The motor fuel tax suspension will provide immediate tax relief to nearly every citizen in every community across the state.

The actual amount of money saved by Alaskans will vary depending on the type of fuel being purchased; for example, consumers should save eight cents per gallon when fueling their vehicles, five cents per gallon for marine fuel and 4.7 cents per gallon for aviation fuel.

Many Alaskan communities face the highest energy costs in the nation. Motor fuel tax relief is one step in our effort to improve Alaska's daily living expenses. While suspending the motor fuel tax would provide a temporary reduction in the cost of motor fuel, additional efforts are being introduced for long term solutions to high energy costs.

- Leave more money in Alaskan's pockets
- One dollar is circulated 5 – 8 times in Alaska's economy
- Alaskans will save \$35-40 million each year of the suspension

#### FAQ's:

##### **Will suspending the motor fuel tax impact Alaska's federal highway funding?**

Suspending the motor fuel tax will not impact Alaska's federal highway funding. The taxes go into the general fund. There is no dedicated fund to highways. Motor fuel tax dollars are just as likely to be spent on a capital project for a building or for any of the hundreds of expenditure types that come out of the state general fund.

- Alaskans do invest funds in transportation  
FY11 Operating budget is \$327.9 GF over half of the total operating budget of \$585.5  
FY11 Capital Budget \$62.0 GF and an additional \$54.6 in GF match  
FY12 Operating budget is \$328.5 total operating is \$585.4  
FY12 Capital budget is \$36.9 with an additional \$65.1 in match
- On average since 2000, we have spent \$240 million annually between the Departments of Transportation and Commerce on transportation. That's roughly \$400 per person. Gas prices would have to have a seventy-five to eighty cent per gallon tax to fund Alaska's transportation

program if it was funded solely through gas taxes. Last year we spent \$360 million and have 691,000 people so it was \$521 per person.

- The federal government still receives gas taxes
- There is no federal requirement that states must collect a gas tax to support transportation

#### **Will the consumer see the savings at the pump?**

Studies from MIT indicate that most of the savings from gas tax suspensions are passed onto the consumer. When Alaska suspended the gas tax in 2008 there was a roughly 8 cent a gallon decrease in gasoline prices in Anchorage the day the tax was suspended. We cannot verify perfectly that every cent of the tax suspension was passed onto consumers but the one thing that is certain is that Alaskan consumers will pay nearly \$35-\$40 million dollars in taxes that are not necessary to collect at this time.

- The 2008-2009 motor fuel tax suspension showed great success as motor fuel prices at the pump dropped by eight cents almost immediately when the suspension went into effect. On the same account, motor fuel prices increased by eight cents immediately after the suspension ended.

#### **How will this tax suspension actually help Alaska's economy?**

Certain sectors of our economy tend to benefit more from gas tax suspensions. Alaska's largest private employer, the fishing industry will benefit significantly from the tax suspension. Trucking and airline companies that pay the tax and the consumers that buy the goods those entities deliver will also benefit. Long distance commuters will also see higher than average savings.

#### **Will Congress retaliate against Alaska for a gas tax suspension?**

Unlikely. Several states that suspended their gas tax before the passage of SAFETEA-LU in 2005 actually saw an increase of federal highway aid funds of roughly 20-30% from previous levels. Presumably, state tax policy is a matter of state's rights that Congress will respect.

#### **Bullet points:**

- Alaska has the second highest retail price of gasoline in the country.
- The \$35-\$40 million that would have been raised by the tax would go back into people's pockets and generate more in their local economies – spending on groceries, clothing, or other necessities with a multiplier of 5-8.
- Suspension for only two years – it has been suspended before and was reinstated.
- Currently tax revenues go into the general fund and can be expended on anything.
- Alaska puts a lot of General Fund money into transportation infrastructure. An average of \$400 per person. 8 times more than what they spend at the pump in current fuel tax.
- The average person would see a direct \$58 in personal relief and more when you consider the decrease in the cost of goods and travel. (\$35 million/600,000 people) Using the multiplier effect in the marketplace – 5-8 times, \$35 million in the hands of small businesses and individuals could boost our economy to have an impact of \$175-\$280 million dollars.

# NFIB

The Voice of Small Business®

ALASKA

January 31, 2011

The Honorable Sean Parnell  
Governor of Alaska  
State Capitol Building  
Juneau, Alaska 99801-1182

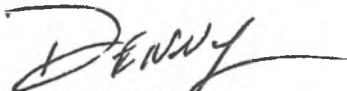
Dear Governor Parnell:

RE: Senate Bill 41 and House Bill 102

On behalf of the National Federation of Independent Business/Alaska, I wish to respectfully share our support for Senate Bill 41 and House Bill 102 that suspend the motor fuel tax for two years. The National Federation of Independent Business is the largest small-business advocacy group in Alaska.

The cost of fuel is a significant cost for many small businesses. The fuel tax suspension will help many of that business in these very difficult economic times.

Sincerely yours,



Dennis L. DeWitt

Alaska State Director

Cc: NFIB/AK Leadership Council

**SENATE BILL NO. 41**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**Introduced:** 1/19/11

**Referred:** Transportation, Labor and Commerce, Finance

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act suspending the motor fuel tax; and providing for an effective date."**

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

3 \* **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section  
4 to read:

5 SUSPENSION OF THE MOTOR FUEL TAX. (a) Notwithstanding any other  
6 provision of law, the motor fuel tax imposed under AS 43.40.010 is suspended and may not  
7 be collected for a period beginning July 1, <sup>2012</sup>2011, and ending June 30, <sup>2014</sup>2013.

8 (b) Every person subject to AS 43.40.010(c) in the fiscal year that precedes the  
9 suspension established in (a) of this section shall submit a monthly report, under penalty of  
10 unsworn falsification, on a form or in a format prescribed by the Department of Revenue  
11 showing all sales or transfers of gasoline, diesel, and aviation fuel during the month. Sales  
12 invoices must be attached to the report supporting all sales and transfers of gasoline, diesel,  
13 and aviation fuel in the state. The report is due to the Department of Revenue on the last day  
14 of the month following the month in which sales or transfers of gasoline, diesel, or aviation  
15 fuel were made. The Department of Revenue may assess a penalty of up to \$5,000 against any

1 person that fails to file a monthly report or provide the supporting invoices as required by this  
2 subsection.

3 (c) The Department of Revenue may adopt regulations under AS 44.62 to implement  
4 this section.

5 \* **Sec. 2.** Section 1 of this Act is repealed July 1, 2013.

6 \* **Sec. 3.** This Act takes effect immediately under AS 01.10.070(c).

# State of Alaska

Department of Revenue  
*Administrative Services Division*



**SEAN PARNELL, GOVERNOR**

333 Willoughby Avenue, 11<sup>th</sup> Floor

P.O. Box 110400

Juneau, Alaska 99811-0405

Phone: (907) 465-2300

Fax: (907) 465-2394

January 20, 2011

The Honorable Albert Kookesh  
Senate Transportation Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

## **SB41 Suspension of Motor Fuel Tax By Request of the Governor**

### **SECTION ANALYSIS**

#### **Section 1: Suspension of the Motor Fuel Tax.**

- (a) Suspends collection of the motor fuel tax imposed under AS 43.40.010 for two years beginning July 1, 2011 ending June 30, 2013.
- (b) Requires motor fuel distributors to report the amount of motor fuel sold or transferred in the state to the Department of Revenue and provides for a penalty of up to \$5,000 for failure to report.
- (c) The Department of Revenue would be able to immediately draft regulations to implement the suspension.

**Section 2: Repealer.** Repeals Section 1(a) (the tax suspension) on June 30, 2013.

**Section 3: Effective Date.** Provides for an immediate effective date.

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

cost # codes

Bill Version

SB41

Fiscal Note Number

Publish Date

Identifier (file name) SB41-DOT-CO-1-3-12

Title Suspend Motor Fuel Tax

Dept. Affected DOT&PF

Appropriation Admin and Support

Allocation Commissioner's Office

Sponsor Rules

Requester S TRA

OMB Component Number 530

**Expenditures/Revenues**

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY13	FY14	FY15	FY16	FY17
<b>OPERATING EXPENDITURES</b>								
Personal Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Services	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Commodities	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Grants, Benefits	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0		0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE**

(Thousands of Dollars)

1002	Federal Receipts	0.0		0.0	0.0	0.0	0.0	0.0
1003	GF Match	0.0		0.0	0.0	0.0	0.0	0.0
1004	GF	0.0		0.0	0.0	0.0	0.0	0.0
1005	GF/Prgm (DGF)	0.0		0.0	0.0	0.0	0.0	0.0
1037	GF/MH (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
1178	temp code (UGF)	0.0		0.0	0.0	0.0	0.0	0.0
	<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS**

Full-time							
Part-time							
Temporary							

**CHANGE IN REVENUES**

Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_  
(discuss reasons and fund source(s) in analysis section)

(separate supplemental appropriation required)

Estimated CAPITAL (FY13) costs \_\_\_\_\_  
(discuss reasons and fund source(s) in analysis section)

(separate capital appropriation required)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

Updated to 2012 fiscal note - no change

Prepared by Brenda Hewitt, Legislative Liaison  
Division DOT&PF

Approved by Marc Luiken  
Commissioner DOT&PF

Phone 465-4772  
Date/Time 1/3/12 4:30 PM

Date 1/4/2012

FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

BILL NO. SB41

**Analysis**

There is no fiscal impact to the Department of Transportation and Public Facilities.

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

cost # codes

Bill Version

SB 41

Fiscal Note Number

Publish Date

Identifier (file name) SB041-DOR-TAX-12-14-11

Title Motor Fuel Tax Suspension

Dept. Affected

Appropriation

Allocation

Revenue

Taxation and Treasury

Tax Division

Sponsor Senate Rules by request of the Governor

Requester Senate Transportation

OMB Component Number 2476

**Expenditures/Revenues**

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY13	FY14	FY15	FY16	FY17
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE**

(Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS**

Full-time							
Part-time							
Temporary							

**CHANGE IN REVENUES**

(34,650.0) (37,800.0) (3,150.0)

Estimated SUPPLEMENTAL (FY12) operating costs \_\_\_\_\_  
(discuss reasons and fund source(s) in analysis section)

(separate supplemental appropriation required)

Estimated CAPITAL (FY13) costs \_\_\_\_\_  
(discuss reasons and fund source(s) in analysis section)

(separate capital appropriation required)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

The previous fiscal note reflected fiscal impacts based on an effective date of July 1, 2011. This version assumes an effective date of July 1, 2012.

Prepared by Johanna Bales, Deputy Director  
Division Tax

Phone (907) 269-6628

Date/Time 12/12/11 9:00 AM

Approved by Jerry Burnett, Director - Administrative Services Division  
Department of Revenue

Date 12/14/2011

FISCAL NOTE

**Analysis**

**Bill Language:**

This bill would suspend the motor fuel tax for 24 months starting on July 1, 2012 through June 30, 2014. Although the statutes state that the legislature may appropriate the revenue from motor fuel tax for specific purposes, including highway construction and maintenance and water and harbor facilities, all motor fuel tax receipts are paid into the General Fund. Current law also provides that sixty percent of taxes collected on aviation fuel sales at municipal airports are shared with the respective municipalities. Unless a specific appropriation is made to those municipalities through this or other legislation, municipalities would not receive revenue sharing for the period in which the fuel tax is suspended. Motor fuel dealers will continue to be required to provide information showing the amount of motor fuel used in the state so the Department can provide reports to the Federal Highway Administration and ensure Alaska does not lose federal highway funding as a result of the suspension.

**Revenues:**

Information from fuel tax collections is provided below. FY 2008, FY 2009, FY 2010 and FY 2011 reflect actual collections and shared tax amounts from motor fuel tax. FY 2012 and FY 2013 are forecasts.

	Tax Collections	Shared Aviation Tax
FY 2008 (actual)	\$42,000,000	\$148,000
FY 2009 (actual)	\$10,100,000	\$144,101
FY 2010 (actual)	\$28,800,000	\$130,566
FY 2011 (actual)	\$39,600,000	\$142,478
FY 2012 (forecast)	\$37,600,000	\$140,000
FY 2013 (forecast)	\$37,800,000	\$140,000

It is important to note that the motor fuel tax was previously suspended during the period September 1, 2008 through August 31, 2009. Actual amounts collected in FY 2009 and FY 2010 reflect that suspension. Although the tax was suspended, there was a special appropriation to municipalities to ensure they received the amount of shared tax revenue from aviation fuel sales that they would have received had the fuel tax not been suspended. The reduction in revenue shown for FY 2012 and FY 2013 on the first page of this fiscal note would be further reduced by the municipal revenue share identified in the table above for FY 2012 and FY 2013 if a similar appropriation is made during this suspension period.

Under current law, motor fuel tax collected in a particular month is required to be remitted to the Department of Revenue by the end of the following month. Since the effective date of this legislation is July 1, 2011, taxpayers will be required to remit motor fuel tax for motor fuel sales made in June 2011 by July 31, 2011. Therefore, we expect to collect one month of revenue in FY 2012. There will be no revenue collected in FY 2013 and in FY 2014 revenue will be reduced by one month of activity to account for the suspension of the tax through June 2013.

**Expenditures:**

Department of Revenue can administer the provisions of this bill utilizing existing resources. There will be no reduction in expenditures as the Department will continue to process tax returns and report to the Federal Highway Administration.

Albert - fyi -

**Nancy Barnes**

---

**From:** mshickey@gci.net on behalf of Mark Hickey <mshickey@gci.net>  
**Sent:** Monday, March 26, 2012 3:02 PM  
**To:** Nancy Barnes; johanna.bales@alaska.gov  
**Subject:** HB 102/SB 41  
**Attachments:** SB4002Z.pdf

Nancy & Johanna,

Here's what I sent to Becky Rooney in Rep. Wilson's office re: HB 102/SB 41.

---

I see you plan to hear HB 102. There's a small change that was put in the last time we did this in 2008 that my client (Petro Marine Services) would want to see.

On page 1, lines 11-13 require that all sales invoices must be submitted to DOR on a monthly basis. This is unnecessary and can be costly for a large company like my guys. It could be literally hundreds of invoices each month or more. We negotiated a language change in the previous bill with DOR. See lines 27-29 on page 4 of SB4002. We basically changed it to give the department the authority to request these invoices versus making it mandatory.

Let me know if you have questions. I can be reached at #723-8574.

Thanks,  
Mark



# LAWS OF ALASKA

2008

FOURTH SPECIAL SESSION

**Source**

HCS CSSB 4002(FIN) am H

**Chapter No.**

\_\_\_\_\_

**AN ACT**

Amending the bulk fuel bridge loan fund and the bulk fuel revolving loan fund; relating to power cost equalization; relating to Alaska resource rebates, and increasing the amount of the 2008 permanent fund dividend to provide that rebate; suspending the motor fuel tax; eliminating the authority to make certain provisions of the heating assistance program retroactive to November 1, 2007; and providing for an effective date.

\_\_\_\_\_

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

THE ACT FOLLOWS ON PAGE 1

**AN ACT**

1 Amending the bulk fuel bridge loan fund and the bulk fuel revolving loan fund; relating to  
2 power cost equalization; relating to Alaska resource rebates, and increasing the amount of the  
3 2008 permanent fund dividend to provide that rebate; suspending the motor fuel tax;  
4 eliminating the authority to make certain provisions of the heating assistance program  
5 retroactive to November 1, 2007; and providing for an effective date.

6

7 \* **Section 1.** AS 29.60.660(c) is amended to read:

8 (c) Loans made from the bulk fuel bridge loan fund to one borrower in a fiscal  
9 year

10 (1) may not exceed \$750,000 [\$500,000]; and

11 (2) shall be repaid within one year after the date of the award.

12 \* **Sec. 2.** AS 42.45.110(c) is amended to read:

1 (c) The amount of power cost equalization provided for each [PER] kilowatt-  
2 hour under [SUBSECTION] (b) of this section may not exceed 95 percent of the  
3 power costs, or the average rate for each [PER] eligible kilowatt-hour sold, whichever  
4 is less, as determined by the commission. However,

5 (1) [DURING THE STATE FISCAL YEAR THAT BEGAN JULY 1,  
6 1999,] the power costs for which power cost equalization are [WERE] paid to an  
7 electric utility are [WERE] limited to minimum power costs of more than 12 cents a  
8 [PER] kilowatt-hour and less than \$1 a [52.5 CENTS PER] kilowatt-hour;

9 (2) each year [DURING EACH FOLLOWING STATE FISCAL  
10 YEAR], the commission shall adjust the power costs for which power cost  
11 equalization may be paid to an electric utility based on the weighted average retail  
12 residential rate in Anchorage, Fairbanks, and Juneau; however, the commission may  
13 not adjust the power costs under this paragraph to reduce the amount below the lower  
14 limit set out in (1) of this subsection; and

15 (3) the power cost equalization for each [PER] kilowatt-hour may be  
16 determined for a utility without historical kilowatt-hour sales data by using kilowatt-  
17 hours generated.

18 \* **Sec. 3.** AS 42.45.110(c), as amended by sec. 2 of this Act, is amended to read:

19 (c) The amount of power cost equalization provided for each kilowatt-hour  
20 under (b) of this section may not exceed 95 percent of the power costs, or the average  
21 rate for each eligible kilowatt-hour sold, whichever is less, as determined by the  
22 commission. However,

23 (1) the power costs for which power cost equalization are paid to an  
24 electric utility are limited to minimum power costs of more than 12 cents a kilowatt-  
25 hour and less than 52.5 cents [\$1] a kilowatt-hour;

26 (2) each year, the commission shall adjust the power costs for which  
27 power cost equalization may be paid to an electric utility based on the weighted  
28 average retail residential rate in Anchorage, Fairbanks, and Juneau; however, the  
29 commission may not adjust the power costs under this paragraph to reduce the amount  
30 below the lower limit set out in (1) of this subsection; and

31 (3) the power cost equalization for each kilowatt-hour may be

1 determined for a utility without historical kilowatt-hour sales data by using kilowatt-  
2 hours generated.

3 \* **Sec. 4.** AS 42.45.250(e) is amended to read:

4 (e) Loans made from the bulk fuel revolving loan fund to one borrower in any  
5 fiscal year

6 (1) may not exceed \$750,000 [\$500,000], or, if the borrower is a  
7 cooperative corporation organized under AS 10.15 or an electric cooperative  
8 organized under AS 10.25 and uses the loan to purchase bulk fuel on behalf of more  
9 than one community, may not exceed the lesser of \$750,000 [\$500,000] multiplied by  
10 the number of communities on whose behalf the bulk fuel is to be purchased, or  
11 \$1,800,000;

12 (2) shall be repaid in one year or less; and

13 (3) may not exceed 90 percent of the wholesale price of the fuel  
14 purchased.

15 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
16 read:

17 ALASKA RESOURCE REBATE. (a) To provide residents of the state with an Alaska  
18 resource rebate, the amount of the 2008 permanent fund dividend shall be increased. After  
19 calculating the amount of the 2008 dividend under AS 43.23.025, the commissioner of  
20 revenue shall add \$1,200 to determine the total amount of that dividend. An individual may  
21 elect not to receive the \$1,200 resource rebate authorized under this subsection. An individual  
22 who elects not to receive the \$1,200 resource rebate may provide notice of the election on a  
23 form provided by the Department of Revenue. Notice must be postmarked or received by the  
24 Department of Revenue not later than September 2, 2008.

25 (b) A veteran or the spouse or dependent of a living or deceased veteran who did not  
26 apply for the 2008 permanent fund dividend and is eligible for veterans' benefits under 38  
27 U.S.C. 1315, 1513, 1521, 1541, and 1542 may apply to the Department of Revenue for a  
28 \$1,200 Alaska resource rebate payment for 2008. The individual shall apply on a form  
29 provided by the department not later than October 1, 2008, and shall demonstrate that the  
30 individual would have been eligible to receive a 2008 permanent fund dividend under  
31 AS 43.23, except that the individual did not apply for that dividend.

1 (c) A veteran or the spouse or dependent of a living or deceased veteran who is  
2 eligible for veterans' benefits under 38 U.S.C. 1315, 1513, 1521, 1541, and 1542 who is  
3 denied or receives reduced payments under those provisions or reduced health care benefits  
4 solely because the \$1,200 increase in the dividend under (a) of this section or the \$1,200  
5 payment under (b) of this section received by the individual is counted as income is eligible  
6 for cash assistance under AS 47.25.120 - 47.25.300 (general relief assistance).  
7 Notwithstanding the limit in AS 47.25.130, the individual is entitled to receive the same  
8 amount as the individual would have received under 38 U.S.C. 1315, 1513, 1521, 1541, and  
9 1542 and as a health care benefit as a result of being eligible under 38 U.S.C. 1315, 1513,  
10 1521, 1541, and 1542, had the \$1,200 increase or payment not been received under (a) or (b)  
11 of this section.

12 (d) Subject to appropriation, the amount necessary for resource rebates to increase  
13 2008 permanent fund dividends under (a) of this section shall be transferred from the general  
14 fund to the dividend fund (AS 43.23.045).

15 (e) When issuing checks or pay warrants associated with a direct deposit to residents  
16 receiving a permanent fund dividend, the commissioner of revenue shall include the following  
17 statement in bold type: "This payment includes a resource rebate of \$1,200, which is a one-  
18 time payment to qualified Alaskans."

19 \* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to  
20 read:

21 **SUSPENSION OF THE MOTOR FUEL TAX.** (a) Notwithstanding any other  
22 provision of law, the motor fuel tax imposed under AS 43.40.010 is suspended and may not  
23 be collected for a period beginning September 1, 2008, and ending August 31, 2009.

24 (b) Every person subject to AS 43.40.010(c) in the fiscal year that precedes the  
25 suspension established in (a) of this section shall submit a monthly report, under penalty of  
26 unsworn falsification, on a form or in a format prescribed by the Department of Revenue  
27 showing all sales or transfers of gasoline, diesel, and aviation fuel during the month. The  
28 department may require that invoices be attached to the report supporting all sales and  
29 transfers of gasoline, diesel, and aviation fuel in the state. The report is due to the Department  
30 of Revenue on the last day of the month following the month in which sales or transfers of  
31 gasoline, diesel, or aviation fuel were made. The Department of Revenue may assess a penalty

1 of up to \$5,000 against any person that fails to file a monthly report or provide the supporting  
2 invoices as required by this subsection.

3 (c) The Department of Revenue may adopt regulations under AS 44.62 to implement  
4 this section.

5 \* **Sec. 7.** Sections 9 and 11, ch. 31, SLA 2008, are repealed.

6 \* **Sec. 8.** Section 6(a) of this Act is repealed August 31, 2009.

7 \* **Sec. 9.** Sections 6(b) and (c) of this Act are repealed October 1, 2009.

8 \* **Sec. 10.** Section 2 of this Act takes effect October 1, 2008.

9 \* **Sec. 11.** Section 3 of this Act takes effect June 30, 2009.

10 \* **Sec. 12.** Except as provided in secs. 10 and 11 of this Act, this Act takes effect  
11 immediately under AS 01.10.070(c).