

# HB

# 4003

<TARGET><BILL>HB4003</BILL><SUBJECT>HB4003</SUBJECT><COMM>  
HFIN29</COMM></TARGET>

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# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version:	HB 4003
Fiscal Note Number:	1
(H) Publish Date:	5/27/2016

Identifier: 0458-DOR-TAX-5-26-16  
 Title: MOTOR FUEL TAX  
 Sponsor: RLS BY REQUEST OF THE GOVERNOR  
 Requester: Governor

Department: Department of Revenue  
 Appropriation: Taxation and Treasury  
 Allocation: Tax Division  
 OMB Component Number: 2476

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<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 (Operating Only)**

None								
<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>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>		42,800.0	42,800.0	42,800.0	42,800.0	42,800.0	42,800.0
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**Estimated SUPPLEMENTAL (FY2016) cost:** 50.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Original bill version, based on language split out from original omnibus special session tax bill HB/SB 4001.
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Prepared By:	Ken Alper, Director	Phone:	(907)465-8221
Division:	Tax	Date:	05/26/2016 01:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	05/26/16
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2016 LEGISLATIVE SESSION

## Analysis

**Bill Analysis**

Alaska has had an excise tax on motor fuel since 1945, which is charged and collected monthly. The highway tax rate was last increased in 1970; marine rate in 1977; aviation and jet fuel rates in 1994. The last major changes to the program were in 2008 when the motor fuel tax was suspended effective September 1, 2008 to August 31, 2009.

The primary change in this legislation would be to increase the tax rates of all categories of motor fuel. The tax rate for highway fuel would rise from \$0.08 to \$0.16 per gallon; for marine fuel, from \$0.05 to \$0.10 per gallon; for jet fuel, from \$0.032 to \$0.065 per gallon; and for aviation gasoline, from \$0.047 to \$0.07 per gallon. The increases take effect on July 1, 2016.

DOR estimates that increasing the motor fuel tax rates approximately double tax collections, with additional revenue of approximately \$43 million per year. Of this, approximately \$0.2 million would be shared with municipally owned airports.

Estimates are based on the fall 2015 revenue forecast. The estimates make no adjustment for changes in demand due to higher prices, or for stockpiling in advance of the tax increase.

**Implementation Cost**

This legislation would require the Department of Revenue to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file a return online. The update would consist of reprogramming both systems, updating the return rules in TRMS and testing both systems thoroughly to verify that they function as expected. We would also need to update the current tax return forms.

The supplemental fiscal note figure of \$50.0 in FY16 is to cover the costs of having our contractor update the two systems. We do not anticipate any continuing costs or additional staff needs. After the implementation of the changes, this legislation would not cause any additional administrative burden on the Tax Division.

Y/N  
6/5

adopted

29-GH2458\A.1  
Shutts/Nauman  
5/28/16

AMENDMENT #1

OFFERED IN THE HOUSE  
TO: HB 4003

BY REPRESENTATIVE WILSON

1 Page 1, lines 11 - 12:

2 Delete all material and insert:

3 "(3) the tax on all aviation fuel other than gasoline sold or otherwise  
4 transferred

5 (A) on the premises of an airport within the Alaska  
6 international airport system, as that term is defined in AS 44.42.290, is 3.2  
7 cents a gallon;

8 (B) outside the premises of an airport within the Alaska  
9 international airport system, as that term is defined in AS 44.42.290, is 6.5  
10 [IS THREE AND TWO-TENTHS] cents a gallon; and"

# 2016 HOUSE FINANCE COMMITTEE VOTE SHEET

DATE: 6/2

Amendment: move HB 4003 from committee

MEMBER

Favor

Oppose

REP. SADDLER	✓	
REP. WILSON		✓
REP. EDGMON	✓	
REP. GARA	✓	
REP. GATTIS		✓
REP. GUTTENBERG	✓	
REP. KAWASAKI		✓
REP. MUNOZ	✓	
REP. PRUITT	✓	
REP. THOMPSON	✓	
REP. NEUMAN	✓	

40

YEA

8

NAY

3

# 2016 HOUSE FINANCE COMMITTEE VOTE SHEET

~~Y/N~~  
6 | 5

adoption.

DATE: 6-1-16

Amendment: (1) HB4003

MEMBER

Favor

Oppose

REP. EDGMON		X
REP. GARA		X
REP. GATTIS	X	
REP. GUTTENBERG		X
REP. KAWASAKI		X
REP. MUNOZ	X	
REP. PRUITT	X	
REP. SADDLER	X	
REP. WILSON	X	
REP. NEUMAN	X	
REP. THOMPSON		X

YEA 6 NAY 5

WITHDRAWN

29-GH2458\A.5  
Martin/Nauman  
5/28/16

AMENDMENT #2

OFFERED IN THE HOUSE  
TO: HB 4003

BY REPRESENTATIVE PRUITT

- 1 Page 1, line 11:
- 2 Delete "six and one-half"
- 3 Insert "5.3"
- 4
- 5 Page 2, line 11:
- 6 Delete "six and one-half"
- 7 Insert "5.3"

WITHDRAWN

29-GH2458\A.4  
Martin/Nauman  
5/28/16

AMENDMENT #3

OFFERED IN THE HOUSE  
TO: HB 4003

BY REPRESENTATIVE PRUITT

- 1 Page 1, line 11:
- 2 Delete "six and one-half"
- 3 Insert "five"
- 4
- 5 Page 2, line 11:
- 6 Delete "six and one-half"
- 7 Insert "five"

WITHDRAWN

29-GH2458\A.2  
Shutts/Nauman  
5/28/16

Guttenberg

AMENDMENT #4

OFFERED IN THE HOUSE

TO: HB 4003

1 Page 1, line 4, through page 2, line 3:

2 Delete all material and insert:

3 "(a) In addition to the surcharge levied under AS 43.40.005,

4 **(1) if the average price per barrel for Alaska North Slope crude oil**  
5 **for sale on the United States West Coast during the previous calendar quarter is**  
6 **more than \$85,** there is levied a tax of eight cents a gallon on all motor fuel sold or  
7 otherwise transferred within the state, except that **the tax on**

8 **(A)** [(1) THE TAX ON] aviation gasoline is four and seven-  
9 tenths cents a gallon;

10 **(B)** [(2) THE TAX ON] motor fuel used in and on watercraft of  
11 all descriptions is five cents a gallon;

12 **(C)** [(3) THE TAX ON] all aviation fuel other than gasoline is  
13 three and two-tenths cents a gallon; and

14 **(D)** [(4) THE TAX RATE ON] motor fuel that is blended with  
15 alcohol is the same tax rate a gallon as other motor fuel; however, in an area  
16 and during the months in which fuel containing alcohol is required to be sold,  
17 transferred, or used in an effort to attain air quality standards for carbon  
18 monoxide as required by federal or state law or regulation, the tax rate on  
19 motor fuel that is blended with alcohol is six cents a gallon less than the tax on  
20 other motor fuel not described in **(A) - (C)** [(1) - (3)] of this **paragraph; or**

21 **(2) if the average price per barrel for Alaska North Slope crude oil**  
22 **for sale on the United States West Coast during the previous calendar quarter is**  
23 **less than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel**

1 sold or otherwise transferred within the state, except that the tax on

2 (A) aviation gasoline is seven cents a gallon;

3 (B) motor fuel used in and on watercraft operating for

4 (i) the purpose of commercial fishing is five cents a  
 5 gallon; in this sub-subparagraph, "commercial fishing" has the  
 6 meaning given in AS 16.05.940;

7 (ii) a purpose other than the purpose described in (i)  
 8 of this subparagraph is 10 cents a gallon;

9 (C) all aviation fuel other than gasoline is six and one-half  
 10 cents a gallon; and

11 (D) motor fuel that is blended with alcohol is the same tax  
 12 rate a gallon as other motor fuel; however, in an area and during the  
 13 months in which fuel containing alcohol is required to be sold,  
 14 transferred, or used in an effort to attain air quality standards for carbon  
 15 monoxide as required by federal or state law or regulation, the tax rate on  
 16 motor fuel that is blended with alcohol is six cents a gallon less than the  
 17 tax on other motor fuel not described in (A) - (C) of this paragraph  
 18 [SUBSECTION]."

19  
 20 Page 2, lines 5 - 18:

21 Delete all material and insert:

22 "(b) In addition to the surcharge levied under AS 43.40.005,

23 (1) if the average price per barrel for Alaska North Slope crude oil  
 24 for sale on the United States West Coast during the previous calendar quarter is  
 25 more than \$85, there is levied a tax of eight cents a gallon on all motor fuel consumed  
 26 by a user, except that the tax on

27 (A) [(1) THE TAX ON] aviation gasoline consumed is four and  
 28 seven-tenths cents a gallon;

29 (B) [(2) THE TAX ON] motor fuel used in and on watercraft of  
 30 all descriptions is five cents a gallon;

31 (C) [(3) THE TAX ON] all aviation fuel other than gasoline is

1 three and two-tenths cents a gallon; and

2 (D) [(4) THE TAX RATE ON] motor fuel that is blended with  
3 alcohol is the same tax rate a gallon as other motor fuel; however, in an area  
4 and during the months in which fuel containing alcohol is required to be sold,  
5 transferred, or used in an effort to attain air quality standards for carbon  
6 monoxide as required by federal or state law or regulation, the tax rate on  
7 motor fuel that is blended with alcohol is six cents a gallon less than the tax on  
8 other motor fuel not described in (A) - (C) [(1) - (3)] of this **paragraph; or**

9 (2) if the average price per barrel for Alaska North Slope crude oil  
10 for sale on the United States West Coast during the previous calendar quarter is  
11 less than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel  
12 sold or otherwise transferred within the state, except that the tax on

13 (A) aviation gasoline consumed is seven cents a gallon;

14 (B) motor fuel used in and on watercraft operating for

15 (i) the purpose of commercial fishing is five cents a  
16 gallon; in this sub-subparagraph, "commercial fishing" has the  
17 meaning given in AS 16.05.940;

18 (ii) a purpose other than the purpose described in (i)  
19 of this subparagraph is 10 cents a gallon;

20 (C) all aviation fuel other than gasoline is six and one-half  
21 cents a gallon; and

22 (D) motor fuel that is blended with alcohol is the same tax  
23 rate a gallon as other motor fuel; however, in an area and during the  
24 months in which fuel containing alcohol is required to be sold,  
25 transferred, or used in an effort to attain air quality standards for carbon  
26 monoxide as required by federal or state law or regulation, the tax rate on  
27 motor fuel that is blended with alcohol is six cents a gallon less than the  
28 tax on other motor fuel not described in (A) - (C) of this paragraph  
29 [SUBSECTION]."

PASSED as Amended  
w/out objection

29-GH2458\A.3  
Shutts/Nauman  
5/28/16

AMENDMENT #5

Gave

OFFERED IN THE HOUSE

TO: HB 4003

- 1 Page 1, line 4, following "AS 43.40.005,":  
2 Insert a new paragraph to read:  
3 "(1) except as provided in (2) or (3) of this subsection,"  
4  
5 Page 1, line 6, following "that":  
6 Insert "the tax on"  
7  
8 Page 1, line 7:  
9 Delete "(1) the tax on"  
10 Insert "(A) [(1) THE TAX ON]"  
11  
12 Page 1, line 9:  
13 Delete "(2) the tax on"  
14 Insert "(B) [(2) THE TAX ON]"  
15  
16 Page 1, line 11:  
17 Delete "(3) the tax on"  
18 Insert "(C) [(3) THE TAX ON]"  
19  
20 Page 1, line 13:  
21 Delete "(4) the tax rate on"  
22 Insert "(D) [(4) THE TAX RATE ON]"  
23

Conceptual #1  
Amend.  
PASSED  
NO OBJECTION

1 Page 2, line 3:

2 Delete "(1) - (3) of this subsection"

3 Insert "(A) and (C) [(1) - (3)] of this paragraph;"

4 (2) in the second month following a month for which the average  
5 price per barrel for Alaska North Slope crude oil for sale on the United States  
6 West Coast is more than \$100 and less than or equal to \$120, there is levied a tax  
7 of 12 cents a gallon on all motor fuel sold or otherwise transferred within the  
8 state, except that the tax on

9 (A) aviation gasoline is seven cents a gallon;

10 (B) motor fuel used in and on watercraft of all descriptions  
11 is 10 cents a gallon;

12 (C) all aviation fuel other than gasoline is six and one-half  
13 cents a gallon; and

14 (D) motor fuel that is blended with alcohol is the same tax  
15 rate a gallon as other motor fuel; however, in an area and during the  
16 months in which fuel containing alcohol is required to be sold,  
17 transferred, or used in an effort to attain air quality standards for carbon  
18 monoxide as required by federal or state law or regulation, the tax rate on  
19 motor fuel that is blended with alcohol is six cents a gallon less than the  
20 tax on other motor fuel not described in (A) - (C) of this paragraph;

21 (3) in the second month following a month for which the average  
22 price per barrel for Alaska North Slope crude oil for sale on the United States  
23 West Coast is more than \$120, there is levied a tax of eight cents a gallon on all  
24 motor fuel sold or otherwise transferred within the state, except that the tax on

25 (A) aviation gasoline is seven cents a gallon;

26 (B) motor fuel used in and on watercraft of all descriptions  
27 is 10 cents a gallon;

28 (C) all aviation fuel other than gasoline is six and one-half  
29 cents a gallon; and

30 (D) motor fuel that is blended with alcohol is the same tax  
31 rate a gallon as other motor fuel; however, in an area and during the

1           months in which fuel containing alcohol is required to be sold,  
2           transferred, or used in an effort to attain air quality standards for carbon  
3           monoxide as required by federal or state law or regulation, the tax rate on  
4           motor fuel that is blended with alcohol is six cents a gallon less than the  
5           tax on other motor fuel not described in (A) - (C) of this paragraph  
6           [SUBSECTION]."

7

8 Page 2, line 5, following "AS 43.40.005,":

9           Insert a new paragraph to read:

10                           "(1) except as provided in (2) or (3) of this subsection,"

11

12 Page 2, line 6, following "that":

13           Insert "the tax on"

14

15 Page 2, line 7:

16           Delete "(1) the tax on"

17           Insert "(A) [(1) THE TAX ON]"

18

19 Page 2, line 9:

20           Delete "(2) the tax on"

21           Insert "(B) [(2) THE TAX ON]"

22

23 Page 2, line 11:

24           Delete "(3) the tax on"

25           Insert "(C) [(3) THE TAX ON]"

26

27 Page 2, line 13:

28           Delete "(4) the tax rate on"

29           Insert "(D) [(4) THE TAX RATE ON]"

30

31 Page 2, line 18:

1 Delete "(1) - (3) of this subsection"

2 Insert "(A) - (C) [(1) - (3)] of this paragraph;"

3 (2) in the second month following a month for which the average  
4 price per barrel for Alaska North Slope crude oil for sale on the United States  
5 West Coast is more than \$100 and less than or equal to \$120, there is levied a tax  
6 of 12 cents a gallon on all motor fuel sold or otherwise transferred within the  
7 state, except that the tax on

8 (A) aviation gasoline consumed is seven cents a gallon;

9 (B) motor fuel used in and on watercraft of all descriptions  
10 is 10 cents a gallon;

11 (C) all aviation fuel other than gasoline is six and one-half  
12 cents a gallon; and

13 (D) motor fuel that is blended with alcohol is the same tax  
14 rate a gallon as other motor fuel; however, in an area and during the  
15 months in which fuel containing alcohol is required to be sold,  
16 transferred, or used in an effort to attain air quality standards for carbon  
17 monoxide as required by federal or state law or regulation, the tax rate on  
18 motor fuel that is blended with alcohol is six cents a gallon less than the  
19 tax on other motor fuel not described in (A) - (C) of this paragraph;

20 (3) in the second month following a month for which the average  
21 price per barrel for Alaska North Slope crude oil for sale on the United States  
22 West Coast during the previous calendar year is more than \$120, there is levied a  
23 tax of eight cents a gallon on all motor fuel sold or otherwise transferred within  
24 the state, except that the tax on

25 (A) aviation gasoline consumed is seven cents a gallon;

26 (B) motor fuel used in and on watercraft of all descriptions  
27 is 10 cents a gallon;

28 (C) all aviation fuel other than gasoline is six and one-half  
29 cents a gallon; and

30 (D) motor fuel that is blended with alcohol is the same tax  
31 rate a gallon as other motor fuel; however, in an area and during the

1           months in which fuel containing alcohol is required to be sold,  
2           transferred, or used in an effort to attain air quality standards for carbon  
3           monoxide as required by federal or state law or regulation, the tax rate on  
4           motor fuel that is blended with alcohol is six cents a gallon less than the  
5           tax on other motor fuel not described in (A) - (C) of this paragraph  
6           [SUBSECTION]."

7  
8 Page 3, following line 4:

9           Insert a new subsection to read:

10           "(d) in determining the tax rate for motor fuel levied under AS 43.40.010(a)  
11           and (b), as amended by secs. 1 and 2 of this Act, for the two months immediately  
12           following the effective date of secs. 1 and 2 of this Act, the average price per barrel for  
13           Alaska North Slope crude oil for sale on the United States West Coast in the two  
14           months immediately preceding the effective date of secs. 1 and 2 of this Act shall be  
15           considered."

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Governor Bill Walker  
STATE OF ALASKA

May 26, 2016

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 218  
Juneau, AK 99801-1182

Dear Speaker Chenault:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the motor fuel tax.

The bill would increase the currently outdated tax rates on motor fuels with increases on motor fuel, aviation gasoline, motor fuel used in and on watercraft, and aviation fuel other than gasoline. The tax on a gallon of motor fuel used or transferred within the state would be raised from eight cents a gallon to 16 cents a gallon. Likewise, the tax on aviation gasoline would be raised to seven cents a gallon (the current rate is four and seven-tenths), the tax on marine fuel would be raised to 10 cents a gallon (the current rate is five cents), and the tax on aviation fuel other than gasoline would be six and one-half cents a gallon (the current rate is three and two-tenths). The bill would also double the credit for highway fuel used to operate an internal combustion engine off-road, from six cents a gallon to 12 cents a gallon.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Walker".

Bill Walker  
Governor

Enclosure



**HB 4003**

**Sectional Analysis Special Session Motor Fuel Tax Bill**

**Section 1:** Amends AS 43.40.010(a) Changing the tax rate from eight cents to 16 cents per gallon for highway fuel, from four and seven tenths cents per gallon to seven cents per gallon for aviation gasoline, from five cents to 10 cents per gallon for fuel used in watercraft, and from three and two-tenths cents per gallon to six and one-half cents per gallon for aviation fuel other than gasoline.

**Section 2:** Amends AS 43.40.010(b) to conform with changes made in Section 1.

**Section 3:** Increases the credit against the motor fuel tax from six cents to 12 cents for fuel used for non-highway uses.

**Section 4:** Makes the change in sections 1, 2, and 3 applicable to fuel sold after the effective date of those section.

**Section 5:** Allows the Department of Revenue to adopt regulations to implement the provisions of this Act.

**Section 6:** Is an immediate effective date for Section 5.

**Section 7:** Provides for a July 1 effective date for the changes to the motor fuel tax.

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## *Motor Fuel Tax (AS 43.40)*

### **What it Does**

- Increases current tax rates
  - Highway Fuel: 8 cents to 16 cents
  - Marine Fuel: 5 cents to 10 cents
  - Aviation Gas: 4.7 cents to 7 cents
  - Jet Fuel: 3.2 cents to 6.5 cents
- Doubles the credit for highway fuel used off-road

### **How it Differs from Regular Session Bill**

- Reduces proposed increases on Aviation and Jet Fuel (from proposed HFIN work draft CS to HB249)
- Does not incorporate 2-year sunset in Transportation Committee Substitute

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## *Motor Fuel Tax (AS 43.40)*

### **How Much Does it Raise?**

- About \$43 million / year
- Roughly doubles current motor fuel collections
- About \$200,000 shared with municipal airports

### **How Does it Impact Alaskans?**

- Current tax rates haven't increased in many years; last increase to the 8c Highway rate was in 1970
- Alaska would still have the lowest tax rate
- A typical person who drives 12,000 miles / year in a vehicle that gets 20 miles / gallon will pay an added \$48