

# ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

## Sponsor Statement

### **House Bill 104: Motor Fuels Tax**

Alaska has levied an excise tax on motor fuel sold, transferred, or used within the state since 1945. The Department of Revenue primarily collects this tax from wholesalers and distributors that possess a qualified dealer license issued by the department. AS 43.40.010 sets the base tax rate per gallon for four separate motor fuel types: highway (8 cents), marine (5 cents), aviation, (4.7 cents) and jet (3.2 cents).

Alaska last updated its motor fuel tax rates in May of 1970, and we have now had the lowest motor fuel tax rate in the US for many years. HB 104 proposes an increase to the tax rates on highway and marine motor fuels to 16 cents and 10 cents per gallon, respectively. With this increase, Alaska would continue to have the lowest marine fuel tax rate in the nation while our ranking for highway fuel tax would move from last to 43<sup>rd</sup>.

When enacted in 1970, Alaska's motor fuel tax of 8 cents per gallon was typical, in comparison to other states. In the subsequent half century, every other state has increased its fuel tax rates while Alaska has remained frozen in time. In 1970, the average gallon of gasoline in the US cost \$0.36. After adjusting for inflation, an 8 cent fuel tax in 1970 would equate to 54 cents today. In other words, Alaska's fuel tax has lost 85% of its purchasing power since it last changed.

Enacted in 2015, AS 43.40.005 currently levies a surcharge of 0.95 cents per gallon on refined fuels, with the revenue raised designated for use by the Department of Environmental Conservation's Spill Prevention and Response. To fund SPAR adequately, HB104 raises this surcharge to 1.5 cents per gallon.

HB104 does not propose a rate increase for aviation or jet fuels. When compared to other states, Alaska's tax rates for these fuel types are more competitive, ranking 41<sup>st</sup> for aviation fuel and 40<sup>th</sup> for jet fuel.

HB104 includes an additional biennial registration fee of \$100 for electric vehicles and \$50 for hybrids. This fee is designed to provide equity and capture some revenue from electric vehicles which use our roads but do not otherwise contribute to highway maintenance through the motor fuel tax. The revenue generated from this fee will be deposited into the highway maintenance account.

I urge your support of this long-overdue update to Alaska's fuel tax rates.

A handwritten signature in black ink that reads "Andy Josephson".

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