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Governor Bill Walker  
STATE OF ALASKA

January 15, 2016

The Honorable Mike Chenault  
Speaker of the House  
Alaska State Legislature  
State Capitol, Room 208  
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 taxation of motor fuels.

The bill would raise the tax rates on the four categories of motor fuel currently taxed under AS 43.40.010 (motor fuel tax), but would not amend the refined fuel surcharge levied under AS 43.40.005 and passed last session. Instead, the bill would increase the currently outdated tax rates on all motor fuels including all motor fuel sold or transferred within the state, aviation gasoline, and motor fuel used on watercraft. The bill increases highway fuel from \$0.08 to \$0.16 per gallon; aviation fuel from \$0.047 to \$0.10 per gallon; marine fuel from \$0.05 to \$0.10 per gallon; jet fuel from \$0.032 to \$0.10 per gallon; gasohol from \$0.08 to \$0.16 per gallon; and also increases the credit for off road use from \$0.06 to \$0.12 per gallon. The bill would generate approximately \$49,000,000 annually in increased revenue.

While this may at first appear to represent a significant increase, the tax rates on motor fuel sold or transferred within the state have not been raised in many years; for example, the tax on highway fuel has remained at eight cents a gallon since 1970. This bill would bring Alaska's tax rate on highway fuel closer to the current national average of 25 cents a gallon.

To increase administrative efficiency for the Department of Revenue and state taxpayers, the bill would require the electronic submission of tax returns with an exemption available upon request.

The bill is an integral component of the New Sustainable Alaska Plan to provide a balanced and sustainable budget for Alaska's long-term fiscal stability.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker  
Governor

Enclosure

**HOUSE BILL NO. 249**

IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-NINTH LEGISLATURE - SECOND SESSION

**BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR**

**Introduced: 1/19/16**

**Referred: Transportation, Finance**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act requiring the electronic submission of a tax return or report with the**  
2 **Department of Revenue; relating to the motor fuel tax; and providing for an effective**  
3 **date."**

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

5 **\* Section 1.** AS 43.05.220 is amended to add a new subsection to read:

6 (f) A penalty of \$25 or one percent of the total tax before any payment,  
7 whichever is greater, shall be assessed against a taxpayer that fails to electronically  
8 submit a return or report under AS 43.05.222, unless the taxpayer has received an  
9 exemption under AS 43.05.222 or can show reasonable cause.

10 **\* Sec. 2.** AS 43.05 is amended by adding a new section to read:

11 **Sec. 43.05.222. Electronic submission of return or report.** (a) A taxpayer  
12 required to submit a return or report for a tax levied under AS 43 or any other tax  
13 administered by the department shall submit the return or report electronically in a  
14 format prescribed by the department. Unless the taxpayer has received an exemption

1 under (b) of this section or can show reasonable cause, a return or report not submitted  
2 electronically is subject to a civil penalty under AS 43.05.220.

3 (b) A taxpayer may request an exemption from the requirement that a return or  
4 report be submitted electronically. The taxpayer or taxpayer's representative shall  
5 contact the department and request the exemption before the return or report is due  
6 and shall submit evidence that the taxpayer does not have the capability to submit the  
7 return or report electronically. An exemption granted under this subsection is valid for  
8 two years after the first tax filing due date after the exemption is granted; after the two  
9 year period, the taxpayer may apply for another exemption.

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

11 (a) In addition to the surcharge levied under AS 43.40.005, there is levied a  
12 tax of 16 [EIGHT] cents a gallon on all motor fuel sold or otherwise transferred within  
13 the state, except that

14 (1) the tax on aviation gasoline is 10 [FOUR AND SEVEN-TENTHS]  
15 cents a gallon;

16 (2) the tax on motor fuel used in and on watercraft of all descriptions is  
17 10 [FIVE] cents a gallon;

18 (3) the tax on all aviation fuel other than gasoline is 10 [THREE AND  
19 TWO-TENTHS] cents a gallon; and

20 (4) the tax rate on motor fuel that is blended with alcohol is the same  
21 tax rate a gallon as other motor fuel; however, in an area and during the months in  
22 which fuel containing alcohol is required to be sold, transferred, or used in an effort to  
23 attain air quality standards for carbon monoxide as required by federal or state law or  
24 regulation, the tax rate on motor fuel that is blended with alcohol is six cents a gallon  
25 less than the tax on other motor fuel not described in (1) - (3) of this subsection.

26 \* **Sec. 4.** AS 43.40.010(b) is amended to read:

27 (b) In addition to the surcharge levied under AS 43.40.005, there is levied a  
28 tax of 16 [EIGHT] cents a gallon on all motor fuel consumed by a user, except that

29 (1) the tax on aviation gasoline consumed is 10 [FOUR AND SEVEN-  
30 TENTHS] cents a gallon;

31 (2) the tax on motor fuel used in and on watercraft of all descriptions is

1        10 [FIVE] cents a gallon;

2                    (3) the tax on all aviation fuel other than gasoline is 10 [THREE AND  
3 TWO-TENTHS] cents a gallon; and

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

10    \* **Sec. 5.** AS 43.40.030(a) is amended to read:

11                    (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to  
12 operate an internal combustion engine is entitled to a motor fuel tax refund of 12 [SIX]  
13 cents a gallon if

14                            (1) the tax on the motor fuel has been paid;

15                            (2) the motor fuel is not aviation fuel, or motor fuel used in or on  
16 watercraft; and

17                            (3) the internal combustion engine is not used in or in conjunction with  
18 a motor vehicle licensed to be operated on public ways.

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

21                    APPLICABILITY. (a) AS 43.40.010(a) and (b), as amended by secs. 3 and 4 of this  
22 Act, apply to motor fuel sold, transferred, used, or consumed on or after the effective date of  
23 this Act.

24                    (b) AS 43.40.030(a), as amended by sec. 5 of this Act, applies to a motor fuel tax  
25 refund on motor fuel used on or after the effective date of this Act.

26    \* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to  
27 read:

28                    TRANSITIONAL PROVISION: REGULATIONS. The Department of Revenue may  
29 adopt regulations necessary to implement the changes made by this Act. The regulations take  
30 effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the  
31 law implemented by the regulation.

- 1     \* **Sec. 8.** Section 7 of this Act takes effect immediately under AS 01.10.070(c).
- 2     \* **Sec. 9.** Except as provided in sec. 8 of this Act, this Act takes effect July 1, 2016.