



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE

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February 9, 2017

The Honorable Adam Wool and the Honorable Louise Stutes
Alaska State Representatives
Co-chairs, House Transportation Committee
State Capitol Rooms 412 and 406
Juneau, AK 99801

Dear Co-Chairs Wool and Stutes:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue during our presentation to the House Transportation Committee on January 31, 2017. Please see questions in italics and our responses immediately below the questions.

1. *How does Alaska's marine fuel tax rate compare to those of other coastal states?*

The Department of Revenue asked other states about their marine fuel tax policies and received some responses, although many states have not replied. No other state responded that it has a separate tax rate for marine fuel versus highway fuel. Some states offer motor fuel tax refunds for certain water-based uses of fuel.

Refunds for commercial fishing use

- Michigan
- Virginia
- Maryland
- Minnesota
- California
 - For gas: if activity is in private waters or outside state's 3-mile limit
 - For diesel: any marine use
- Illinois
- Connecticut
- Texas: for gasoline, not diesel
- Alabama

Refunds for commercial cargo ship use

- Michigan
- Maryland
- Minnesota
- California
 - For gas: if activity is in private waters or outside state's 3-mile limit
 - For diesel: any marine use
- Illinois
- Connecticut
- Texas: for gasoline, not diesel
- Alabama

Refunds for recreational vessels

- Virginia
- California
 - For gas: if activity is in private waters or outside state's 3-mile limit
 - For diesel: any marine use
- Connecticut
- Texas: for gasoline, not diesel
- Alabama

The only states responding that they do not offer refunds for any of the above marine uses were North Dakota and South Dakota, which are not coastal states. In summary, refunds for commercial use appear to be common, and for recreational use somewhat rarer.

2. *What would Alaska's motor fuel tax rate be if it had been indexed to inflation since 1970?*

According to the Bureau of Labor Statistics' CPI Inflation Calculator, \$0.08 per gallon in 1970 is equivalent to \$0.49 per gallon in 2016.

However, the Consumer Price Index for Urban Consumers (CPI-U) for gasoline specifically was 28.2 at the end of 1970 and 215.5 at the end of 2016. Therefore, if motor fuel tax stayed constant as a percentage of gasoline prices, \$0.08 per gallon in 1970 would scale to \$0.61 per gallon in 2016.¹

I hope you find this information to be useful. Please do not hesitate to contact me if you have further questions.

Sincerely,



Randall Hoffbeck
Commissioner

¹ <https://fred.stlouisfed.org/series/CUSR0000SETB01>