



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Revenue

COMMISSIONER'S OFFICE
State Office Building
333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

March 11, 2016

The Honorable Shelley Hughes and the Honorable Neal Foster
Alaska State Representatives
Co-chairs, House Transportation Committee
State Capitol Rooms 13 and 434
Juneau, AK 99801

Dear Co-chairs Hughes and Foster:

The purpose of this letter is to provide you with responses to the questions asked of the Department of Revenue and the Department of Transportation & Public Facilities during our presentation to the House Transportation Committee on February 10, 2016. Please see questions in italics and our responses immediately below the questions.

1. *How many gallons of gasoline, diesel, and alternative fuels are taxed?*

Here are the total number of gallons of motor fuel on which the Department of Revenue collected the full tax rate in fiscal year 2015:

| Fuel type | Tax rate (per gallon) | Number of taxable gallons |
|-------------------|-----------------------|---------------------------|
| Highway gasoline | \$0.08 | 273,310,055 |
| Marine gasoline | \$0.05 | 7,594,558 |
| Highway diesel | \$0.08 | 100,899,438 |
| Marine diesel | \$0.05 | 99,507,417 |
| Jet fuel | \$0.032 | 127,544,195 |
| Aviation gasoline | \$0.047 | 10,195,669 |

The only "alternative fuel" subject to the motor fuel tax is gasohol, but there have been zero taxable gallons of gasohol for the past several years.

Note that a large majority of jet fuel sold in Alaska is not taxed due to the exemptions for bulk storage, foreign flights, and sales to governments. About half of diesel is also untaxed, mainly due to the exemptions for heating fuel and public utilities.

2. *How much motor fuel tax was collected at rural airports and how much was spent there? Is this accounted separately from the international airports?*

The Department of Revenue does not have data on the motor fuel tax collected from sales at specific rural airports. The distributors pay the tax and are not required to report at which airport they sold the fuel.

The Legislature may appropriate taxes from aviation fuel (both jet fuel and gasoline) to the rural airport system. According to the Department of Transportation, the rural airport system currently has a budget shortfall of about \$34 million, while the state collects a total of \$5 million in motor fuel

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taxes from both jet fuel and aviation gas. If the Legislature were to appropriate the entire \$5 million to rural airports, this would leave the rural airport system with a \$29 million budget shortfall.

Under House Bill 249, the Department of Revenue projects an increase of approximately \$10 million in tax revenue from jet fuel and aviation gas. If the Legislature appropriated that \$10 million to the rural airport system, the budget gap would be reduced to \$19 million.

All of these costs reported for the rural airport system are separate from the two state-owned international airports (Fairbanks and Anchorage).

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Randall Hoffbeck", written in a cursive style.

Randall Hoffbeck
Commissioner