

**CS FOR SENATE BILL NO. 132(TRA)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY THE SENATE TRANSPORTATION COMMITTEE

Offered: 2/24/16

Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to the motor fuel tax; relating to the duties of the commissioner of  
2 revenue; and providing for an effective date."

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

4 \* **Section 1.** AS 43.40.010(a) is amended to read:

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

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

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

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

14 **(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 year is less**  
 11 **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 is 10 cents a gallon;**

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

16 **(C) all aviation fuel other than gasoline is 10 cents a gallon;**

17 **and**

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

26 \* **Sec. 2.** AS 43.40.010(a), as amended by sec. 1 of this Act, is amended to read:

27 (a) In addition to the surcharge levied under AS 43.40.005,[(1) IF THE  
 28 AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL  
 29 FOR SALE ON THE UNITED STATES WEST COAST DURING THE PREVIOUS  
 30 CALENDAR YEAR IS MORE THAN \$85,] there is levied a tax of eight cents a  
 31 gallon on all motor fuel sold or otherwise transferred within the state, except that the

1 tax on

2 (1) [(A)] aviation gasoline is four and seven-tenths cents a gallon;

3 (2) [(B)] motor fuel used in and on watercraft of all descriptions is five  
4 cents a gallon;

5 (3) [(C)] all aviation fuel other than gasoline is three and two-tenths  
6 cents a gallon; and

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

14 (2) IF THE AVERAGE PRICE PER BARREL FOR ALASKA  
15 NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST  
16 COAST DURING THE PREVIOUS CALENDAR YEAR IS LESS THAN OR  
17 EQUAL TO \$85, THERE IS LEVIED A TAX OF 16 CENTS A GALLON ON ALL  
18 MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE,  
19 EXCEPT THAT THE TAX ON

20 (A) AVIATION GASOLINE IS 10 CENTS A GALLON;

21 (B) MOTOR FUEL USED IN AND ON WATERCRAFT OF  
22 ALL DESCRIPTIONS IS 10 CENTS A GALLON;

23 (C) ALL AVIATION FUEL OTHER THAN GASOLINE IS  
24 10 CENTS A GALLON; AND

25 (D) MOTOR FUEL THAT IS BLENDED WITH ALCOHOL  
26 IS THE SAME TAX RATE A GALLON AS OTHER MOTOR FUEL;  
27 HOWEVER, IN AN AREA AND DURING THE MONTHS IN WHICH  
28 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,  
29 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY  
30 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL  
31 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL

1 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS  
 2 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (A) -  
 3 (C) OF THIS PARAGRAPH].

4 \* **Sec. 3.** AS 43.40.010(b) is amended to read:

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

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

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

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

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

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

23 **(2) 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 year is less**  
 25 **than or equal to \$85, there is levied a tax of 16 cents a gallon on all motor fuel**  
 26 **sold or otherwise transferred within the state, except that the tax on**

27 **(A) aviation gasoline consumed is 10 cents a gallon;**

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

30 **(C) all aviation fuel other than gasoline is 10 cents a gallon;**

31 **and**

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

9                    \* **Sec. 4.** AS 43.40.010(b), as amended by sec. 3 of this Act, is amended to read:

10                    (b) In addition to the surcharge levied under AS 43.40.005, [(1) IF THE  
 11                    AVERAGE PRICE PER BARREL FOR ALASKA NORTH SLOPE CRUDE OIL  
 12                    FOR SALE ON THE UNITED STATES WEST COAST DURING THE PREVIOUS  
 13                    CALENDAR YEAR IS MORE THAN \$85,] there is levied a tax of eight cents a  
 14                    gallon on all motor fuel consumed by a user, except that the tax on

15                                    **(1)** [(A)] aviation gasoline consumed is four and seven-tenths cents a  
 16                    gallon;

17                                    **(2)** [(B)] motor fuel used in and on watercraft of all descriptions is five  
 18                    cents a gallon;

19                                    **(3)** [(C)] all aviation fuel other than gasoline is three and two-tenths  
 20                    cents a gallon; and

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

28                                    (2) IF THE AVERAGE PRICE PER BARREL FOR ALASKA  
 29                    NORTH SLOPE CRUDE OIL FOR SALE ON THE UNITED STATES WEST  
 30                    COAST DURING THE PREVIOUS CALENDAR YEAR IS LESS THAN OR  
 31                    EQUAL TO \$85, THERE IS LEVIED A TAX OF 16 CENTS A GALLON ON ALL

1 MOTOR FUEL SOLD OR OTHERWISE TRANSFERRED WITHIN THE STATE,  
2 EXCEPT THAT THE TAX ON

3 (A) AVIATION GASOLINE CONSUMED IS 10 CENTS A  
4 GALLON;

5 (B) MOTOR FUEL USED IN AND ON WATERCRAFT OF  
6 ALL DESCRIPTIONS IS 10 CENTS A GALLON;

7 (C) ALL AVIATION FUEL OTHER THAN GASOLINE IS  
8 10 CENTS A GALLON; AND

9 (D) MOTOR FUEL THAT IS BLENDED WITH ALCOHOL  
10 IS THE SAME TAX RATE A GALLON AS OTHER MOTOR FUEL;  
11 HOWEVER, IN AN AREA AND DURING THE MONTHS IN WHICH  
12 FUEL CONTAINING ALCOHOL IS REQUIRED TO BE SOLD,  
13 TRANSFERRED, OR USED IN AN EFFORT TO ATTAIN AIR QUALITY  
14 STANDARDS FOR CARBON MONOXIDE AS REQUIRED BY FEDERAL  
15 OR STATE LAW OR REGULATION, THE TAX RATE ON MOTOR FUEL  
16 THAT IS BLENDED WITH ALCOHOL IS SIX CENTS A GALLON LESS  
17 THAN THE TAX ON OTHER MOTOR FUEL NOT DESCRIBED IN (1)(A)  
18 - (C) OF THIS SUBSECTION].

19 \* **Sec. 5.** AS 43.40.010 is amended by adding new subsections to read:

20 (m) The following motor fuel is exempt from taxation under this section:

21 (1) fuel consigned to foreign countries;

22 (2) fuel sold for use in jet propulsion aircraft operating in flights

23 (A) to foreign countries; or

24 (B) that continue from foreign countries, unless exemption of  
25 the motor fuel from taxation is disallowed because of the refiner's failure to  
26 comply with the provisions of a voluntary agreement under AS 43.40.092 in  
27 conjunction with expansion of refinery capacity;

28 (3) fuel used in stationary power plants operating as public utility  
29 plants and generating electrical energy for sale to the general public;

30 (4) fuel used by nonprofit power associations or corporations for  
31 generating electric energy for resale;

- 1 (5) fuel used by charitable institutions;
- 2 (6) fuel sold or transferred between qualified dealers;
- 3 (7) fuel sold to federal, state, and local government agencies for  
4 official use;
- 5 (8) fuel used in stationary power plants that generate electrical energy  
6 for private residential consumption;
- 7 (9) fuel used to heat private or commercial buildings or facilities;
- 8 (10) fuel used for other nontaxable purposes as prescribed by  
9 regulations adopted by the department;
- 10 (11) fuel used in stationary power plants of 100 kilowatts or less that  
11 generate electrical power for commercial enterprises not for resale;
- 12 (12) residual fuel oil used in and on watercraft if the residual fuel oil is  
13 sold or transferred in the state or consumed by a user; in this paragraph, "residual fuel  
14 oil" means the heavy refined hydrocarbon known as number 6 fuel oil that is the  
15 residue from crude oil after refined petroleum products have been extracted by the  
16 refining process and that may be consumed or used only when sufficient heat is  
17 provided to the oil to reduce its viscosity rated by kinetic unit and to give it fluid  
18 properties sufficient for pumping and combustion;
- 19 (13) fuel used in an emergency vehicle, as defined in AS 11.56.825; or
- 20 (14) fuel used for student transportation services for which a school  
21 district receives funding under AS 14.09.010.

22 (n) As soon as practicable after the end of a fiscal year, the commissioner shall  
23 publish an accounting of the

24 (1) sources of motor fuels for which taxes were collected under this  
25 section during the fiscal year;

26 (2) amount of tax revenue deposited in the accounts described in (e) -  
27 (g) and (j) of this section during the fiscal year; and

28 (3) appropriation and expenditure of funds deposited in the accounts  
29 described in (e) - (g) and (j) of this section during the previous fiscal year.

30 \* **Sec. 6.** AS 43.40.015(c) is amended to read:

31 (c) A certificate of use obtained under this section must be renewed annually

1 for exemptions listed under **AS 43.40.010(m)** [AS 43.40.100(2)].

2 \* **Sec. 7.** AS 43.40.015(d) is amended to read:

3 (d) A certificate of use is not required under this section

4 (1) for fuel exempted under **AS 43.40.010(m)(3) or (10)**  
5 [AS 43.40.100(2)(C) OR (J)]; and

6 (2) for fuel exempted under **AS 43.40.010(m)(9)** [AS 43.40.100(2)(I)]  
7 other than fuel sold or transferred under this exemption to a person who is engaged in  
8 construction or mining activity.

9 \* **Sec. 8.** AS 43.40.030(a) is amended to read:

10 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to  
11 operate an internal combustion engine is entitled to a motor fuel tax refund of six cents  
12 a gallon **if the tax was paid under AS 43.40.010(a)(1) or (b)(1) or 12 cents a gallon**  
13 **if the tax was paid under AS 43.40.010(a)(2) or (b)(2), and 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. 9.** AS 43.40.030(a), as amended by sec. 8 of this Act, is amended to read:

20 (a) Except as specified in AS 43.40.010(j), a person who uses motor fuel to  
21 operate an internal combustion engine is entitled to a motor fuel tax refund of six cents  
22 a gallon [IF THE TAX WAS PAID UNDER AS 43.40.010(a)(1) OR (b)(1) OR 12  
23 CENTS A GALLON IF THE TAX WAS PAID UNDER AS 43.40.010(a)(2) OR  
24 (b)(2), AND] if

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

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

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

30 \* **Sec. 10.** AS 43.40.100(2) is amended to read:

31 (2) "motor fuel" means fuel used in an engine for the propulsion of a



1 motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a  
2 stationary engine, machine, or mechanical contrivance that is run by an internal  
3 combustion motor; ["MOTOR FUEL" DOES NOT INCLUDE

4 (A) FUEL CONSIGNED TO FOREIGN COUNTRIES;

5 (B) FUEL SOLD FOR USE IN JET PROPULSION  
6 AIRCRAFT OPERATING IN FLIGHTS

7 (i) TO FOREIGN COUNTRIES; OR

8 (ii) THAT CONTINUE FROM FOREIGN  
9 COUNTRIES, UNLESS EXEMPTION OF THE MOTOR FUEL  
10 FROM TAXATION IS DISALLOWED BECAUSE OF THE  
11 REFINER'S FAILURE TO COMPLY WITH THE PROVISIONS OF  
12 A VOLUNTARY AGREEMENT UNDER AS 43.40.092 IN  
13 CONJUNCTION WITH EXPANSION OF REFINERY CAPACITY;

14 (C) FUEL USED IN STATIONARY POWER PLANTS  
15 OPERATING AS PUBLIC UTILITY PLANTS AND GENERATING  
16 ELECTRICAL ENERGY FOR SALE TO THE GENERAL PUBLIC;

17 (D) FUEL USED BY NONPROFIT POWER  
18 ASSOCIATIONS OR CORPORATIONS FOR GENERATING ELECTRIC  
19 ENERGY FOR RESALE;

20 (E) FUEL USED BY CHARITABLE INSTITUTIONS;

21 (F) FUEL SOLD OR TRANSFERRED BETWEEN  
22 QUALIFIED DEALERS;

23 (G) FUEL SOLD TO FEDERAL, STATE, AND LOCAL  
24 GOVERNMENT AGENCIES FOR OFFICIAL USE;

25 (H) FUEL USED IN STATIONARY POWER PLANTS  
26 THAT GENERATE ELECTRICAL ENERGY FOR PRIVATE  
27 RESIDENTIAL CONSUMPTION;

28 (I) FUEL USED TO HEAT PRIVATE OR COMMERCIAL  
29 BUILDINGS OR FACILITIES;

30 (J) FUEL USED FOR OTHER NONTAXABLE PURPOSES  
31 AS PRESCRIBED BY REGULATIONS ADOPTED BY THE

1 DEPARTMENT;

2 (K) FUEL USED IN STATIONARY POWER PLANTS OF  
3 100 KILOWATTS OR LESS THAT GENERATE ELECTRICAL POWER  
4 FOR COMMERCIAL ENTERPRISES NOT FOR RESALE; OR

5 (L) RESIDUAL FUEL OIL USED IN AND ON  
6 WATERCRAFT IF THE RESIDUAL FUEL OIL IS SOLD OR  
7 TRANSFERRED IN THE STATE OR CONSUMED BY A USER; FOR  
8 PURPOSES OF THIS SUBPARAGRAPH, "RESIDUAL FUEL OIL"  
9 MEANS THE HEAVY REFINED HYDROCARBON KNOWN AS  
10 NUMBER 6 FUEL OIL THAT IS THE RESIDUE FROM CRUDE OIL  
11 AFTER REFINED PETROLEUM PRODUCTS HAVE BEEN EXTRACTED  
12 BY THE REFINING PROCESS AND THAT MAY BE CONSUMED OR  
13 USED ONLY WHEN SUFFICIENT HEAT IS PROVIDED TO THE OIL TO  
14 REDUCE ITS VISCOSITY RATED BY KINETIC UNIT AND TO GIVE IT  
15 FLUID PROPERTIES SUFFICIENT FOR PUMPING AND  
16 COMBUSTION;]

17 \* **Sec. 11.** The uncodified law of the State of Alaska is amended by adding a new section to  
18 read:

19 APPLICABILITY. AS 43.40.030(a), as amended by sec. 9 of this Act, applies to a  
20 motor fuel tax refund on motor fuel used, transferred, or sold on or after the effective date of  
21 sec. 9 of this Act.

22 \* **Sec. 12.** The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

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

28 \* **Sec. 13.** Section 12 of this Act takes effect immediately under AS 01.10.070(c).

29 \* **Sec. 14.** Sections 2, 4, and 9 of this Act take effect July 1, 2018.

30 \* **Sec. 15.** Except as provided in secs. 13 and 14 of this Act, this Act takes effect July 1,  
31 2016.