



ARIZONA STATE SENATE
Fifty-Sixth Legislature, Second Regular Session

FACT SHEET FOR S.B. 1636

excise tax; jet fuel; definition

Purpose

Expands the definition of *jet fuel*, for the purpose of the jet fuel excise and use tax, to include fuel that can be blended with and utilized alongside conventional petroleum jet fuels without modification to aircraft engines or existing fuel distribution infrastructure and fuels derived from coprocessed feedstocks at a conventional petroleum refinery.

Background

Excise taxes are imposed on specific goods, services and activities identified in statute. Use taxes are imposed on individuals who purchase a taxable product from an out-of-state location, pay no sales tax, and use, consume or store the product in Arizona ([ADOR](#)).

Jet fuel is crude oil, any fraction of crude oil or any petroleum-based substance comprised of a complex blend of hydrocarbons derived from crude oil that is expressly manufactured and blended for the purpose of effectively and efficiently operating jet or turbine powered aircraft ([A.R.S. § 42-5351](#)).

The jet fuel excise tax is levied on the retail sale of jet fuel and the jet fuel use tax is levied on the storage, use or consumption in the state of purchased jet fuel. The first 10,000,000 gallons of jet fuel purchased, stored, used or consumed in Arizona are taxed at a rate of 3.05 cents per gallon. Any amount over 10,000,000 gallons is not subject to tax. Statute identifies specific exemptions from the jet fuel excise and use tax, including: 1) sales for resale in the regular course of business; 2) sales subject to equivalent or higher taxes in other states; and 3) sales to commercial airlines for outbound international flights originating in Arizona. If excise taxes are paid to another state in an amount less than that imposed by Arizona, statute allows for a deduction against the Arizona tax in an amount equal to the tax levied by the other state. Monies collected from the jet fuel excise and use tax are deposited in the State Aviation Fund ([A.R.S. §§ 42-5351; 42-5352 and 42-5354; ADOR](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Expands the definition of *jet fuel* to include:
 - a) a fuel that can be blended and used with conventional petroleum jet fuels without the need to modify aircraft engines and existing fuel distribution infrastructure; and
 - b) jet fuels derived from coprocessed feedstocks at a conventional petroleum refinery.

FACT SHEET

S.B. 1636

Page 2

2. Applies the modified definition to taxable periods beginning on or after the first day of the month following the general effective date.
3. Becomes effective on the general effective date.

Prepared by Senate Research

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MG/JC/sdr