

Alaska State Legislature

House of Representatives



Official Business

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Juneau, AK 99801-1182

SPONSOR STATEMENT FOR HB 216 BY: Representative Tom Anderson

TITLE: An Act relating municipal taxation of refined fuel products.

[House Bill 216](#) clarifies local taxing authority for refined fuels sold both within and outside of a local jurisdiction. The conflict in existing State law was brought to the forefront in the Spring of 2002 when an initiative petition was approved in the Fairbanks North Star Borough to put the question of a two cent per gallon transfer tax before voters. A special election was held on June 25, 2002, and the voters overwhelmingly defeated the proposed tax by a margin of 62% no to 38% yes.

House Bill 216 clarifies that local governments have the right to tax any fuel consumed within their governmental boundaries, but do not have taxing authority for value added products refined for shipment and sale outside the local boundaries.

State and Federal law restrict taxation on jet fuel specifically. Alaska is the only state that consumes four times more jet fuel than gasoline on a daily basis and jet fuel is the number one fuel consumed in Alaska. The aviation industry is a major economic force in Alaska and it is in the state's best interest to limit taxation on such fuels and to encourage the maintenance and expansion of air cargo and passenger business in Alaska.

Clarification is also needed to limit the number of entities that can tax fuel. In the case of interior Alaska refiners, as many as eight governments could have taxed fuel locally refined and shipped by rail to Anchorage for in the Southcentral and Southeastern markets. Such taxation would discourage value added economic activity not only in Interior Alaska, but also in other areas of the state where refineries operate. This type of taxation would also result in residents from other parts of the State paying local governments costs in municipalities where they do not reside.

The clarification contained in HB 216 will also benefit local governments. There is some uncertainty now in state law about the authority to tax fuel, and HB 216 will clarify the authority to tax locally consumed fuels. In a May 29, 2002 opinion written for the Fairbanks North Star Borough, former Alaska Attorney General Avrum Gross noted the uncertainty surrounding fuel taxation. He noted that he could not give legal certainty to the question of fuel taxing as proposed in Fairbanks. He said "there is no state statutes that specifically grant or deny the borough the power to adopt such a tax." He further indicated that a broad fuel tax would be subject to "all kinds of serious challenges," and that there would be years of complicated and costly litigation.

I urge your support of HB 216.

April 1, 2003 – HB 216

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