

Fund Source Report

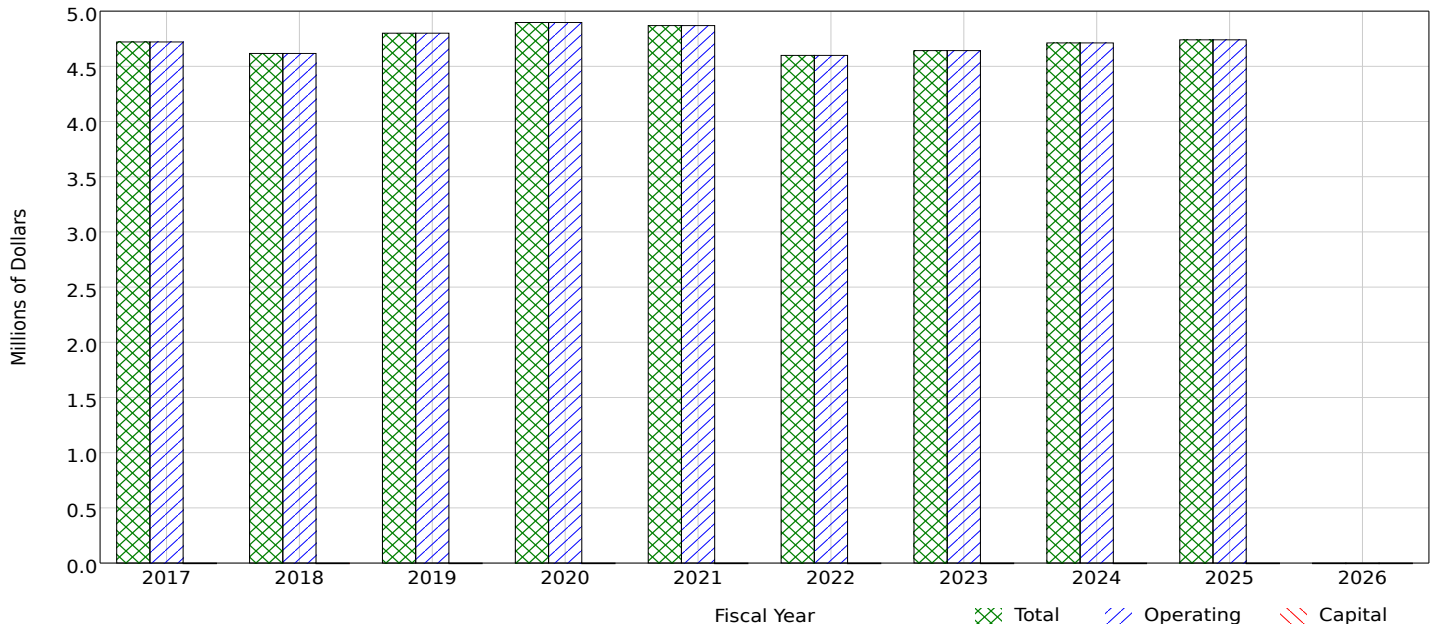
1239

AvFuel Tax

Aviation Fuel Tax Account

Year Authorized 2016	Year Repealed	Active? Yes	Mental Health? No	Duplicated? No	Fund Group Other Designated
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Operating and Capital Appropriations



Legal Authority

AS 43.40.010(e)

Source of Revenue

Taxes of 4.7 cents per gallon and 3.2 cents per gallon are levied on aviation gasoline and jet fuel, respectively. Some fuel--listed in AS 43.40.100--is exempt from taxation. After deducting costs of collection, 60% of the proceeds from fuel taxes collected at municipally owned or operated airports is refunded to those municipalities. The remainder is deposited in a special aviation fuel tax account in the general fund.

Restrictions on Use

Federal requirements (federal register volume 64, number 30, page 7716--February 16, 1999) limit use of the proceeds of the aviation fuel tax to capital or operating costs of airports. Interest on proceeds is subject to the same restrictions.

Description and History

March 2016

Accelerated implementation to FY17--DOT&PF tracked fuel tax proceeds in FY15. Amounts based on FY15 collections can be appropriated in FY17. An email from the FAA indicates that earnings must also be used for airport purposes. Earnings must be appropriated to the account.

March 2015

Redraft the shared taxes section so that payments to local governments come from fuel tax proceeds rather than from the general fund. Begin accumulating money in this account during FY16 and begin using code 1239 in FY18 (spending FY16 receipts) to cover a portion of airport operating and capital expenses. Tracking appropriations to the three airport systems will be an accounting function; appropriations to all three systems will use code 1239.

January 2015

The FAA contacted the Department of Revenue regarding tracking proceeds of the aviation fuel tax to ensure that the state was meeting federal requirements (federal register volume 64, number 30, page 7716--February 16, 1999) that the proceeds of the aviation fuel tax be spent for capital or operating costs of airports. Until recently, expenditure tracking was deemed unnecessary because annual state expenditures on airports exceed annual aviation fuel tax receipts. This fund code was created in response to federal concern for more explicit tracking of tax receipts and expenditures.

AS 43.40.010(e) specifies that 60% of the tax receipts (net of collection costs) from the eight municipally owned or operated airports be refunded to the municipalities that generated the tax. The refund is appropriated annually (in the operating budget) to the municipalities. Although the municipal

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share of tax proceeds is subject to the same federal restrictions as the state share, the state does not track expenditures of the municipal share of tax receipts.

AS 43.40.010(e) may be more specific than the federal requirement that proceeds must be spent on capital or operating costs of airports; statute designates the proceeds for aviation facilities. This fund code applies a liberal interpretation of "facilities" to mean capital and operating costs of airport facilities, thereby matching the federal requirement.

The code is classified as dedicated funds (due to the federally restricted use of the proceeds) and may be used in the Department of Transportation and Public Facilities budget for capital or operating appropriations for airports. The reclassification of expenditures from unrestricted general funds to dedicated revenue will also require the Department of Revenue to reclassify the revenue stream from unrestricted revenue to restricted revenue.