

Alaska Motor Fuel Tax Instructions

INTERNET SERVICE

The following are available on our web site:

www.tax.alaska.gov

- Motor fuel tax statutes and regulations
- Motor fuel forms
- Excel template for return preparation
- Licensed Qualified Dealers list
- Municipalities and federally recognized tribes that have made an election to defer tax

OVERVIEW

Motor fuel is subject to tax in Alaska when sold or otherwise transferred within the State, or upon taxable use, if not previously taxed.

“Motor fuel” means fuel used in an engine for the propulsion of a motor vehicle or aircraft, and fuel used in and on watercraft for any purpose, or in a stationary engine, machine or mechanical contrivance which is run by an internal combustion motor.

The following sales and uses of fuel are exempt:

- sale or transfer between Qualified Dealers
- export to other states or foreign countries
- sale directly to consumers to heat private or commercial buildings or facilities but not including watercraft
- certain power plants for electrical generation:
 - exclusively for private residential consumption
 - commercial stationary power plants of 100 kilowatts or less (not for resale)
 - public utilities or non-profit power associations generating electricity for sale
- charitable institutions
- federal, state, or local government agencies for official use
- residual fuel used in and on watercraft, known as #6 diesel or bunker fuel
- jet fuel for use in flights to and from foreign countries

TAX RETURN FILING REQUIREMENTS

Dealers

Every dealer must report all fuel sold, transferred, or used during the month, including exempt sales

and uses. The department prescribes four tax return forms: diesel (Form 0405-530), gasoline (Form 0405-531), aviation fuel (Form 0405-532), and gasohol (Form 0405-533). If a dealer sells (or maintains inventory of) only one fuel type, the dealer must file only the forms related to that fuel type.

If a dealer does not maintain inventory, and sells no fuel during the month, the dealer must file one form showing sales and inventory of zero.

Users

A person who obtains fuel without paying tax and subsequently uses the fuel in a taxable manner, must file a tax return to report the taxable use.

Due Date

The forms, supporting documentation, and payment of the tax are due by the last day of the month following the month in which the motor fuel was sold, transferred, or used.

PAYMENT OF TAX

Tax payments can be made by Electronic Funds Transfer (EFT), wire transfer or check.

When a tax return payment is \$150,000 or greater, payment must be made by EFT or wire transfer, see 15 AAC 05.310.

ELECTRONIC FUNDS TRANSFER

Pay your taxes online electronically by using the Online Tax Information System (OTIS) Payment Center at www.tax.alaska.gov. OTIS accommodates Automated Clearing House (ACH) debit payments. OTIS does not accept ACH credit or credit card transactions. You must be registered in My Alaska to make your payment using OTIS.

You must be an existing taxpayer with the Tax Division to pay electronically using OTIS. If you are a first-time taxpayer, contact the Tax Division at 907-465-2320 or visit www.tax.alaska.gov for information.

If your bank account has a debit block, your online payment request will be rejected by your bank. Rejected payments may result in late payment penalties and/or interest. If you think your bank account has a debit block, contact your bank before making an online payment to register the State of Alaska as an authorized ACH debit originator. The company ID for the Alaska Department of Revenue is 0000902050.

WIRE TRANSFER

If you are paying by wire transfer, you are required to notify the State of Alaska, Treasury Division by 2:00 p.m. the business day prior to the wire transfer settlement date. Use fax number 907-465-4019 or email to cashmgmt@alaska.gov. The notice must include the taxpayer name, Employer Identification Number (EIN), tax type, tax year, total payment amount, settlement date and the state agency the funds are for. If the payment covers multiple tax types or tax years, specify the amount applicable to each.

PAYMENT BY CHECK

Make checks payable to the **State of Alaska**. Note that if your total payment exceeds \$150,000, you are required to pay by EFT or wire transfer.

Checks must be submitted with the appropriate return or payment voucher. Payment vouchers can be found on the OTIS Payment Center and must show name, address, tax year and EIN.

Mail check with return or payment voucher to:
ALASKA DEPARTMENT OF REVENUE
TAX DIVISION
PO BOX 110420
JUNEAU AK 99811-0420

CERTIFICATES OF USE

A dealer must obtain a Certificate of Use (Form 0405-538) from the buyer in order to sell the following fuel without collecting tax:

- fuel to be used exclusively to heat facilities of a mining or construction business
- fuel to be used in a commercial stationary power plant of 100 kilowatts or less
- fuel to be used by a charitable institution
- fuel to be used by federal, state, or local

- government agencies for official use
- fuel to be exported to other states or foreign countries
- residual fuel to be used in and on watercraft, known as #6 diesel or bunker fuel
- fuel to be used in jet propulsion aircraft operating exclusively in flights to and from a foreign country

A Certificate of Use is not required for:

- fuel to be used to heat private or commercial buildings or facilities except for mining or construction activities (does not apply to watercraft)
- fuel to be used in a generator used exclusively for a domestic purpose in a residence
- fuel to be used by a public utility for generating electricity for sale

[However, a fuel dealer may require a Certificate of Use for any purchase of fuel upon which the tax is not collected.] A Certificate of Use must be signed annually, except for exported fuel. A purchaser must provide a Certificate of Use for each load of fuel purchased for export.

ELECTION TO DEFER TAX

Certain purchasers may elect to defer tax on purchases of fuel delivered to a storage tank servicing both taxable and non-taxable uses. The purchaser makes the election on Form 0405-539, Election to Defer Tax. Upon proper election, the fuel supplier is relieved of the liability for tax. The purchaser is responsible for filing a tax return to report and pay any tax due on taxable uses or sales. The following are eligible to make an election to defer tax:

1. An air carrier purchasing fuel to be used in jet propulsion aircraft in both foreign and domestic flights. The purchaser gives Form 0405-539, Election to Defer Tax, to the fuel supplier.
2. A municipality or federally recognized tribe purchasing diesel for official use and for resale to municipal residents or tribal members. The diesel must be delivered to a fuel storage tank located in a community that is not located on a road in excess of 200 miles long. (The community must not be on any part of the State highway system.) The purchaser must

send the completed Form 0405-539, Election to Defer Tax to the Department of Revenue. The department will verify the location of the community. The department will post on its web site a list of municipalities and tribes that have properly made this election.

CREDIT FOR TAX-ON PURCHASES AND OTHER CREDITS

A dealer who purchases fuel and pays the tax upon purchase, may claim a credit on the tax return for the tax paid. (See specific instructions below.)

A dealer who uses fuel for non-highway (off-road) use may claim a credit on the tax return. (See specific instructions below.)

If a dealer uses fuel for an exempt purpose, such as for heating, the dealer includes this use in the appropriate exempt reporting category on the tax return.

CLAIMS FOR REFUND

If a person is not required to file a monthly tax return, such as a reseller or user, that person may claim a refund when fuel is sold or used at a lower tax rate than that at which it was purchased. The reseller or user claims the refund on a Claim for Refund (Form 0405-544). The reseller or user must claim the refund within one year of the date of sale (reseller) or purchase (user). See specific instructions that accompany Form 0405-544.

NON-HIGHWAY USE OF FUEL

A person who uses fuel in an internal combustion engine may be entitled to a refund of part of the motor fuel tax paid if the following conditions are met:

- the person has paid Alaska motor fuel tax on the fuel,
- the person does not use the fuel in aircraft, or in or on watercraft, and
- the person does not use the fuel in an internal combustion engine in, or in conjunction with, a motor vehicle licensed to be operated on public highways. For example, fuel used in a refrigeration unit attached to a truck is not eligible for the partial refund.

A person claims a refund by filing a Claim for

Refund (Form 0405-544). This form must be filed no later than one year after the purchase of the fuel. See separate instructions.

Note: A dealer must charge the full amount of tax on fuel intended to be used for non-highway use and report the sale on the motor fuel tax return. Only the consumer may claim the partial refund.

BUNKER FUEL

If a dealer sells bunker fuel (residual fuel oil #6 diesel), to be used in and on watercraft, the dealer reports the fuel on the diesel return as an exempt sale. If a higher-grade diesel is blended with residual fuel, all of the resulting product is exempt from tax if the resulting product still meets the specifications of #6 diesel, and does not meet the specifications of a higher diesel grade.

GASOHOL

Gasohol used on the highway is taxed at the same rate as other highway gasoline (8¢), except that the rate is reduced to 2¢ when gasohol is sold for consumption in an area and during the period that it is required.

Gasohol is fully exempt if it is blended using wood alcohol or alcohol produced from the processing of waste seafood, and if this alcohol was produced within the first five years of the facility's processing such alcohol.

BAD DEBT CREDIT

If a dealer sells motor fuel in the state, on credit, and the buyer subsequently files bankruptcy, or the debt becomes worthless, the dealer is entitled to a credit equal to the tax remitted to the department for the transaction(s). The tax liability must aggregate \$500 or more, and the credit may only be taken against motor fuel tax during the month in which the dealer provides written notification accompanied by a copy of the bankruptcy petition, or in the first month after the dealer reports the bad debt to the IRS.

If the debtor makes subsequent payment(s), the dealer shall report and remit the tax payment to the department.

The dealer may not claim a credit for a transaction

made after the dealer is aware of the customer's bankruptcy, or within five years of a previous claim on sales to that person, or on sales or transfers before July 1, 1998. Contact the Department of Revenue, Tax Division for further information.

TAXPAYER RECORDS

All dealers, resellers, and users must keep adequate records pertaining to sales, transfers, and uses of motor fuel for three years.

Records may include, but are not limited to, general ledgers, purchase journals, original journals, cash disbursements journals, bank statements, canceled checks, pipeline tickets, refinery tickets, tax returns, sales journals, sales invoices, inventory balances, and supporting schedules.

LICENSES

A person must hold a current license as a Qualified Dealer to purchase fuel for resale without paying tax. A person is eligible for a license if that person:

- (1) refines, imports, manufactures, produces, or blends motor fuel; or
- (2) sells at least 50% of the fuel acquired to unrelated persons for resale, residential heating purposes, use in jet propulsion aircraft, or for a combination of these purposes.

A person applies to the department by completing an Alaska Motor Fuel License Application (Form 0405-407), accompanied by the Affidavit of Motor Fuel Taxes Due (Form 0405-408). The person must also provide adequate security.

BONDING REQUIREMENT

An applicant for a Qualified Dealer License must post a bond in an amount equal to twice the average monthly motor fuel tax remittance or \$5,000, whichever is greater.

The department will accept a cash deposit or bank letter of credit in the appropriate amount in lieu of a bond.

A Qualified Dealer is not required to provide a bond if the Qualified Dealer has shown a history of timely filing and payment for three years.

GENERAL INFORMATION

The dealer or user must file the tax return with supporting documentation and pay the tax, by the last day of the month following the month in which the motor fuel was sold, transferred or used, at the following address:

DEPARTMENT OF REVENUE
TAX DIVISION
PO BOX 110420
JUNEAU AK 99811-0420

PENALTIES

If payment is late, the department will assess interest on the unpaid tax and a failure to pay penalty. The penalty is 5% of the unpaid tax for each 30-day period or portion of a period, up to a maximum of 25%.

If a return is filed late, the department will assess a failure to file penalty, which is computed in the same manner as the failure to pay penalty. If during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, the department will impose only the failure to file penalty.

INTEREST

Refer to interest rates posted at www.tax.alaska.gov.

DEDUCTION FOR TIMELY FILING

A taxpayer is entitled to a credit of 1% of the total monthly tax due, limited to a maximum of \$100, if the tax return is complete, timely filed, and the tax is timely paid.

If a taxpayer reports more than one type of fuel for any month, the deduction is available for each product return.

AMENDED RETURNS

A taxpayer may amend a tax return by marking an "x" in the appropriate box on page 1 of the return.

SPECIFIC INSTRUCTIONS

SECTION I - INVENTORY RECONCILIATION

Line 1. Beginning physical inventory. Enter the actual beginning physical inventory. This must agree with the prior month's ending inventory.

Line 2. Receipts. Enter the total amount from Section II, line 5.

Line 3. Disbursements. Enter the total amount from Section III, line 12 (Gasoline and Aviation), or line 13 (Diesel and Gasohol).

Line 4. Gain/(Loss). This is a value calculated after all other line items are entered in the Inventory Reconciliation section. This value represents gains and losses on the fuel, including gains and losses from temperature changes, and losses from spillage, fire, and other accidents. Enter a gain as a positive number. Enter a loss as a negative number. Attach a statement to the return identifying any gains or losses that are not related to temperature changes.

Line 5. Transfers. Enter the amount of any fuel re-branded; such as fuel purchased as jet fuel and sold for other purposes. Do not enter transfers or exchanges of fuel between dealers. All transfers and exchanges between dealers are reported on Schedules 2 and 6. The total of all reported "transfers" during any month should equal zero.

Example: A dealer who purchases jet fuel may sell this fuel for highway use. This fuel is shown as a negative number () on line 5 of the aviation fuel return and a corresponding positive number on line 5 of the diesel return.

Line 6. Ending physical inventory. Enter the actual (measured) ending physical inventory.

TAX COMPUTATION

Lines 7 through 18 should be completed after all other sections are completed.

Line 7. Total gallons delivered tax-on. Enter the amount from each column in Section III, line 1d. Special gasohol note: the 2¢ per gallon rate

is applicable only in certain delivery areas and during the winter period. See Gasohol heading on page 2 of instructions for details.

Line 8. Tax-paid purchases. Enter the total tax paid on fuel purchased during the month. Attach all original invoices to the tax return showing these purchases. You must claim this credit within one year of the purchase of the fuel.

Line 12 Bad debt credit. Enter as a negative number () the amount claimed as a bad debt credit. Note that the bad debt credit claimed in any month may not exceed the tax reported on line 11. Any excess may be carried over and claimed in a subsequent month. The excess credit is not refundable. Enter as a positive number tax applicable to payments received subsequent to a debt being deemed worthless, if a bad debt credit was previously taken on that debt.

Line 16. Claim for refund of fuel used by dealer for non-highway use. Enter gallons of fuel that you consumed in non-highway use. Multiply the gallons by the refundable tax rate to compute the value of the non-highway refund credit. You must attach a Schedule of Non-Highway Motor Fuel Use (Form 0405-544.2) showing a list of equipment in which the fuel was used.

Line 17. Other credits. Use this line to report any other credits, such as the supplier's credit for credits passed through to resellers under AS 43.40.035(b).

SECTION II - RECEIPTS

Line 1. In-state refinery production. Enter all fuel refined in-state. This includes all refined fuel produced by "topping plants." Joint operators of "topping plants" should report only their respective shares of production.

Line 2. Gallons received tax-on. Enter the total number of gallons received tax-on. These gallons are also entered on page 1 line 8, where the gallons must be identified by the tax rate paid.

Line 3. Gallons received tax-off from licensed

Qualified Dealers. Enter the total number of gallons received from other Qualified Dealers for which tax has not been paid. The amount entered here must be supported by detail on Schedule 2. The total of Schedule 2 must agree to line 3.

Line 4. Fuel imported from other states or foreign countries. Enter any fuel purchased in another state or foreign country and imported into Alaska. Line 4 must be supported by detail on Schedule 3. The total of Schedule 3 must agree to line 4.

Whoever holds title to the fuel as it enters Alaska must report the fuel as an import.

Example: If title transfers upon delivery in Alaska, the transferor must report the import of the fuel on Schedule 3, and the subsequent sale on Schedule 6 (if delivery is made to a Qualified Dealer). If delivery is made to a person not licensed as a Qualified Dealer, the transferor must report the sale as a taxable sale on page 2 Section III line 1b.

SECTION III - DISBURSEMENTS

Lines 1a, 1b, 1c. Enter on line 1a all gallons used, including fuel you consumed in non-highway use. Enter on line 1b fuel sold to retailers and users (consumers) with the tax collected. Enter on line 1c any gallons of fuel sold to Qualified Dealers with the tax collected. No detail is required for any of these lines.

Line 2. Gallons delivered tax-off to Qualified Dealers. Enter all fuel sold to Qualified Dealers tax-off. You must complete Schedule 6 (Form 0405-540.3), marking the box indicating fuel type. The total of Schedule 6 must equal line 2.

Line 3. Gallons exported to other states or foreign countries. Enter all fuel exported as cargo from Alaska to other states or foreign countries. This does not include fuel used by aircraft on flights to foreign countries. You must complete Schedule 7 (Form 0405-540.4), showing the export destination and indicating the type of fuel.

Lines 4. and 5a. Gallons delivered to federal, state, or local government agencies. Enter fuel sold to federal, state, or local government agencies for

official use. This includes sales of fuel to auxiliary military units. This does not include fuel sold to local government agencies for resale to local residents. See instructions for Line 5b.

This exemption does not apply to fuel sold to a contractor who purchases motor fuel either for its own account or as the agent of a government agency for use in the performance of a contract with that agency.

Line 5b. Gallons delivered to Qualified Municipalities or federally recognized tribes. Enter gallons delivered to a storage tank serving both official use and for sale or transfer to local residents, pursuant to an election to defer tax.

Line 6. Gallons delivered to charitable institutions. Enter fuel sold to charitable institutions. "Charitable institutions" are only those institutions that are exempt from income tax for federal purposes under Internal Revenue Code Section 501(c)(3). It does not include civic leagues, labor organizations, or social clubs.

Lines 7. Gallons delivered for heating use. Enter fuel sold directly to consumers for heating purposes. This exemption does not apply to fuel used on watercraft. Note that, for any heating sales made to construction and mining customers, the dealer must obtain a Certificate of Use signed by the consumer.

Line 8. Gallons delivered to public utilities (Diesel, Gasoline and Gasohol only). Enter fuel sold to public utilities. "Public utilities" are defined as corporations or non-profit power associations generating electrical energy for resale.

Line 9. Gallons delivered to stationary power plants (Diesel, Gasoline and Gasohol only). Enter fuel sold for use in stationary commercial power plants (generators) of 100 kilowatts or less. Also enter any fuel sold for use in power plants (generators) used exclusively for private residential use.

Line 10a and 10b. Gasohol blended from special alcohol (Gasohol only). Enter gasohol sold that was blended using alcohol produced

from wood (lignocellulose) or seafood waste. This alcohol must have been produced during the first five years of the producing facility's life.

SPECIAL AVIATION FUEL EXEMPTIONS

Line 8. Gallons used in foreign flights (air carriers only). This exemption applies to fuel used on jet propulsion aircraft operating flights from Alaska directly to a foreign country or flights re-fueling in Alaska which are continuing flights from a foreign country to another destination in the United States. Line 8 must be supported by detail on Schedule 12 (Form 0405-540.5).

Line 9. Gallons delivered to air carriers for foreign/domestic (Qualified Dealers only). Report on line 9 any tax-off sales of jet fuel to air carriers that operate entirely foreign flights, or that operate a combination of foreign and domestic flights who have elected to purchase jet fuel without paying tax. The air carrier makes the election on an Election to Defer Tax (Form 0405-539). You must complete a Schedule 13 (Form 0405-540.3) showing the air carriers purchasing fuel.

SCHEDULE 2 - SCHEDULE OF GALLONS RECEIVED TAX-OFF (FORM 0405-540.1)

Check the appropriate box to indicate the fuel being reported. You must submit individual Schedules of Gallons Received Tax-Off for each type of fuel. The schedule must include all fuel for which you took title (except imported fuel), including those shipments in transit. Report imported fuel on Form 0405-540.2.

The schedule must be fully completed, including FEIN's of suppliers. Reference the Qualified Dealer list on our web site.

SCHEDULE 3 - SCHEDULE OF IMPORTED FUEL (FORM 0405-540.2)

Check the appropriate box to indicate the fuel being reported. A separate Schedule of Imported Fuel must be used for each type of fuel.

You must separately show, by load, fuel imported from different states or foreign countries. We

suggest that you report this information by Bill of Lading.

This schedule must include all fuel for which you held title as it entered into Alaska. If title transfers upon delivery in Alaska, report the fuel as an import on Schedule 3, and the subsequent sale on Schedule 6. You must report as taxable sales, any sales to persons not licensed as Qualified Dealers in the state.

The schedule is required to be fully completed, including FEIN's of original suppliers.

The total of all Schedules of Imported Fuel for each type of fuel must agree to the appropriate fuel product column in Section II, line 4.

SCHEDULES 6, 9, AND 13 - SCHEDULE OF GALLONS DELIVERED TAX-OFF (FORM 0405-540.3)

Check the appropriate box to indicate the fuel being reported, and the schedule type. You must submit separate Schedules of Gallons Delivered Tax-Off for each type of fuel, and each schedule type. You may file multiple Schedules of Gallons Delivered Tax-Off.

The schedule is required to be fully completed, including FEIN's of customers. Reference the Qualified Dealer list on our web site.

SCHEDULE 7 - SCHEDULE OF EXPORTED FUEL (FORM 0405-540.4)

Use this form to report any fuel exported from Alaska to any other state or foreign country. Exports to Canada should be reported by province.

You must separately show, by load, fuel exported to different states, provinces of Canada, or other foreign countries. We suggest that you report this information by Bill of Lading. The schedule is required to be fully completed, including the FEIN of the destination receiver.

Check the appropriate box to indicate the type of fuel to be reported.

SCHEDULE 12 - SCHEDULE OF JET FUEL

USED IN FOREIGN FLIGHTS (FORM 0405-540.5) - AIR CARRIERS ONLY

Use this schedule to report jet fuel used in foreign flights. Foreign flights are defined as flights going directly to a foreign country or flights originating in a foreign country, re-fueling in Alaska, and continuing on to a final destination in the U.S.

SCHEDULE OF MOTOR FUEL SALES AT MUNICIPAL AIRPORTS (FORM 0405-542)

You must report all aviation fuel delivered to customers at airports owned or operated by municipalities on Form 0405-542, available on our web site. We use this information to allocate funds to municipalities as required by AS 43.40.010(e). Use a separate form for each airport to which fuel was delivered. Our web site also shows a list of municipally owned or operated airports.