



HB 2075

Aviation Fuel Tax Increase

Testimony for House Revenue 4.14.2015 Jody Wisner

Current Situation: Oregon's aviation fuel taxes are amongst the lowest in the country, generating less than \$4 million in each biennium. Meanwhile, Oregon's airports rely heavily on lottery fund grants as a source of funds, particularly as the 10% match for FAA funding. Airports have averaged \$20 million in state subsidy over each of the last five biennium, yet they are struggling to maintain their current infrastructure.

In contrast Oregon roads receive no general or lottery fund subsidy, relying instead on weight-mile and gas taxes, fees for vehicles, and licenses¹. Why should the two types of transportation infrastructure be treated so differently? You pay careful attention to other states' ground transportation fuel taxes, but perhaps you've been unaware of other states' aviation fuel taxes.

Neighboring states charge between three and 27 times more in jet fuel taxes than Oregon. The [Tax Foundation recently compared effective state jet fuel taxes](#), including both fuel and sales taxes:

California 27c
Washington 4c
Oregon 1c

Colorado 12.7c
Idaho 7c
Utah 3c

Hawaii 16.1 c
New Mexico 9.5c
Nevada 4c

In Colorado, where jet fuel taxes total 12.7 cents per gallon, "There are no general funds used to meet the needs within the Colorado Aviation System, the needs are funded solely through the taxes collected by those actually using the aviation system."²

Solution: Support HB 2075 and increase Oregon's aviation fuel tax. The increase of 4c per gallon in HB 2075 should generate an additional \$13 m per biennium in revenue for our airports. An amendment to 12c per gallon with bring in an additional \$39 m per biennium. Either will help conserve Oregon's precious general and lottery fund dollars for other services.

¹ Email from ODOT Public Relations 11.17.2014 "...Oregon's road program is paid out of road user fees (fuel taxes, vehicle registration and title fees, weight mile taxes, driver licenses and miscellaneous vehicle and driver permit fees). Bond debt service is repaid from those sources as well."

² [According to their website](#), and confirmed by phone with staff in Colorado.

Potential ANNUAL revenue from tax increases for aviation fuels

In November, we looked at fuel sales over the prior 12 months for this analysis

There were 164,552,833 gallons of jet fuel sold, taxed at 1 cent per gallon, yielding \$1,645,000.

There were 2,748,376 gallons of avgas fuel sold, taxed at 9 cents per gallon, yielding \$ 247,000.

Current revenue with taxes of 1c/gallon for jet fuel and 9c/gallon for avgas --- \$1.9 per year.

We estimate that with a tax increase, sales would fall slightly, thus we project each cent of jet fuel tax would produce \$1.6 million in revenue and for each cent of avgas we estimate \$27,000 of revenue.

At 12c/gallon for all aviation fuels

Revenue from jet fuel	\$19.2
Revenue from avgas fuel	<u>.3</u>
Total Annual Revenue	\$19.5 million

At 5c/gallon for jet fuel and 13c/ gallon for av gas in HB 2075

Revenue from jet fuel	\$ 8.0
Revenue from avgas	<u>.1</u>
Total Annual Revenue	\$ 8.1 million

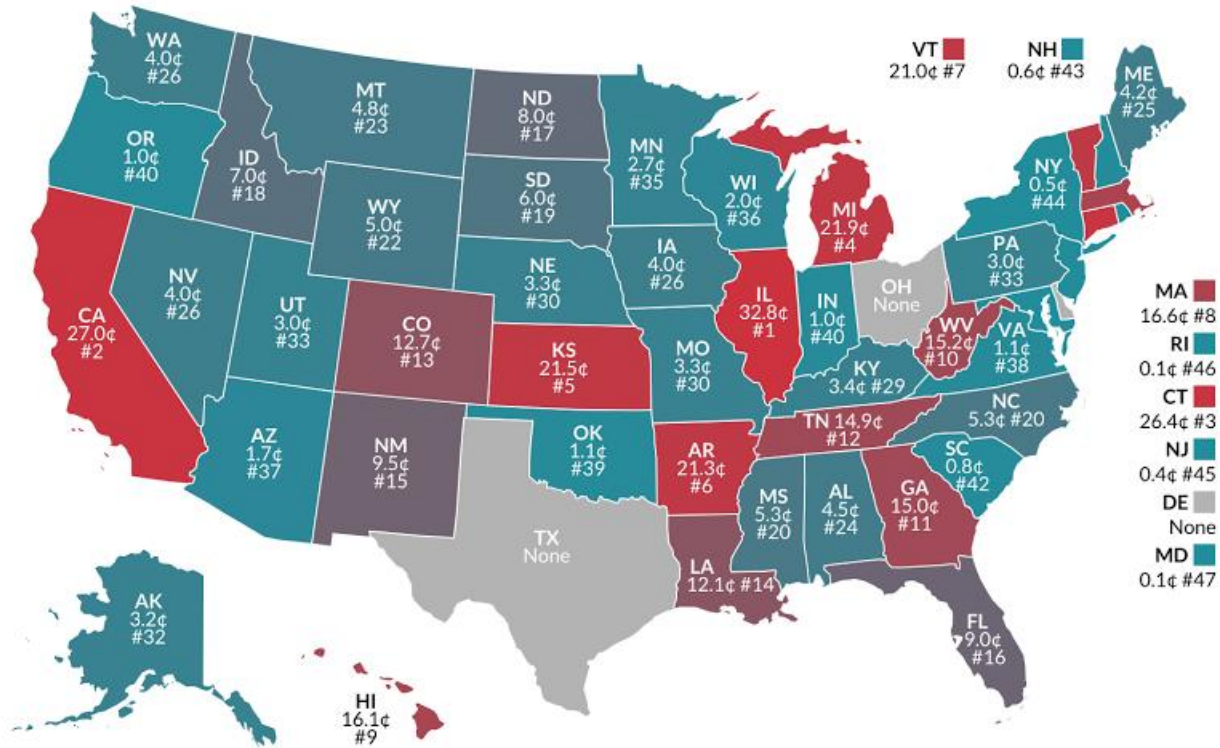
In addition, Oregon has an international flight subsidy that refunds all fuel taxes on fuel purchased in Oregon for flights directly to International locations. The tax expenditure costs \$200,000 a year at 1c per gallon. The cost of the subsidy would increase to \$2.4 m with a \$12c/g jet fuel tax, or to \$1 m with a 5c/g jet fuel tax.

HB2075 defines deployment of the new revenue. At 5c and 13c per gallon, \$325,000 would be used for aviation department administration, and \$1,235,000 would be allocated to each of the following:

- *Aviation-related economic development;*
- *Commercial air service to link rural communities with commercial hubs;*
- *Emergency management and equipment and the Financial Aid to Municipalities Grant Program;*
- *Local match for FAA Airport Improvement Program grants; and*
- *Safety and maintenance at airports that are not federally funded.*

This formula ties hands. Just as we recommend you choose a larger increase, we recommend you remove this formula.

Combined Effective Commercial Jet Fuel Tax Rates and Fees per Gallon by State



Notes: Rates assume a wholesale price of \$3/gallon. Does not include 4.4 cent/gallon federal excise tax. Airlines for America has developed a methodology for determining the effective tax rate on a gallon of commercial airliner fuel. Rates may include: state excise taxes, sales taxes, burn-rate adjustments, or other taxes/fees. Data as of June 1, 2014. Published June 25, 2014.

Source: Airlines for America (A4A) member tax departments

Combined Effective Commercial Jet Fuel Tax Rates and Fees per Gallon by State



taxfoundation.org/maps