



NEWS RELEASE

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Murkowski: EPA Overruled in Effort to Impose New Tax on Rural Alaska Diesel Users

WASHINGTON, D.C. – U.S. Sen. Lisa Murkowski, R-Alaska, announced today that the IRS has overruled an EPA decision to require a 24-cent-per-gallon tax increase on non-highway sales of diesel fuel and kerosene in Alaska.

Alaska fuel dealers had been exempted from imposing the 24-cent-per-gallon federal excise tax until a recent Environmental Protection Agency decision concerning low sulfur diesel fuel effectively overturned the exemption. State fuel dealers were to begin collecting the 24-cent-per-gallon tax on October 1.

But the Internal Revenue Service announced this week that it was overturning the EPA decision, ruling that there was no legal connection between a low sulfur exemption and a fuel dyeing rule that first went into effect in 1996. As a result, state fuel dealers have been informing their customers that they will stop collecting the tax and will refund the money to those who paid during the first few days of October.

“This is good news for rural Alaska,” Murkowski said. “I will be looking for ways to keep the EPA from trying again in the future to rescind Alaska’s diesel fuel-dyeing tax exemption. It is simply impossible in Alaska for rural communities to afford the expense of building multiple fuel storage tanks to hold different types of fuel. The IRS should be congratulated for understanding that the EPA effort to reimpose the tax made no sense.”

When the Alaska delegation won an exemption from the tax on non-highway sales of diesel fuel and kerosene in Alaska in 1996, the whole state was exempt from both EPA’s sulfur content requirement and its requirement for dyeing high sulfur diesel fuel and kerosene. The EPA is now phasing out Alaska’s exemption from the EPA sulfur content requirement but the IRS ruled that the state can retain its exemption from fuel-dyeing taxation requirements.