REFERENCE TITLE: alternative fuel tax

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1547

Introduced by
Senator Farnsworth

AN ACT

AMENDING SECTION 28-5606, ARIZONA REVISED STATUTES; RELATING TO ALTERNATIVE FUEL TAX.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 28-5606, Arizona Revised Statutes, is amended to read:

28-5606. Imposition of motor fuel taxes; definitions

A. In addition to all other taxes provided by law, a tax of ~~eighteen cents~~ $.18 per gallon is imposed on motor vehicle fuel possessed, used or consumed in this state.

B. To partially compensate this state for the use of its highways:

1. A use fuel tax is imposed on use fuel used in the propulsion of a light class motor vehicle on a highway in this state at the same rate per gallon as the motor vehicle fuel tax prescribed in subsection A of this section~~, except that there is no use fuel tax on alternative fuels~~.

2. A use fuel tax is imposed on use fuel used in the propulsion of a use class motor vehicle on a highway in this state at the rate of ~~twenty-six cents~~ $.26 for each gallon, except that there is no use fuel tax on ~~alternative fuels and~~ use class vehicles that are exempt pursuant to section 28-5432 from the weight fee prescribed in section 28-5433 are subject to the use fuel tax imposed by paragraph 1 of this subsection.

3. Through December 31, 2024, a use fuel tax is imposed on use fuel used in the propulsion of a motor vehicle transporting forest products in compliance with the requirements of section 41-1516 on a highway in this state at the rate of ~~nine cents~~ $.09 for each gallon~~, except that there is no use fuel tax on alternative fuels~~.

C. The motor vehicle fuel and use fuel taxes imposed pursuant to this section and the aviation fuel taxes imposed pursuant to section 28-8344 are conclusively presumed to be direct taxes on the consumer or user but shall be collected and remitted to the department by suppliers for the purpose of convenience and facility only. Motor vehicle fuel, use fuel and aviation fuel taxes that are collected and paid to the department by a supplier are considered to be advance payments, shall be added to the price of motor vehicle fuel, use fuel or aviation fuel and shall be recovered from the consumer or user.

D. Motor vehicle fuel and use fuel taxes imposed pursuant to this section on the use of motor vehicle fuel and use fuel and the aviation fuel taxes imposed pursuant to section 28-8344 on the use of aviation fuel, other than by bulk transfer, arise at the time the motor vehicle, use or aviation fuel either:

1. Is imported into this state and is measured by invoiced gallons received outside this state at a refinery, terminal or bulk plant for delivery to a destination in this state.

2. Is removed, as measured by invoiced gallons, from the bulk transfer terminal system or from a qualified terminal in this state.

3. Is removed, as measured by invoiced gallons, from the bulk transfer terminal system or from a qualified terminal or refinery outside this state for delivery to a destination in this state as represented on

the shipping papers if a supplier imports the motor vehicle, use or aviation fuel for the account of the supplier or the supplier has made a tax precollection election pursuant to section 28-5636.

E. If motor fuel is removed from the bulk transfer terminal system or from a qualified terminal or is imported into this state, the original removal, transfer or importation of the motor fuel is subject to the collection of the tax. If this motor fuel is transported to another qualified terminal or reenters the bulk transfer terminal system, the subsequent sale of the motor fuel on which tax has been collected is not subject to collection of an additional tax if proper documentation is retained to support the transaction.

F. IN ADDITION TO ANY OTHER TAXES LEVIED BY THIS STATE, A MOTOR VEHICLE THAT IS POWERED BY AN ALTERNATIVE FUEL IS SUBJECT TO THE FOLLOWING:

1. A LIGHT MOTOR VEHICLE THAT IS FUELED:

(a) EXCLUSIVELY BY ELECTRICITY SHALL PAY AN ANNUAL AMOUNT EQUAL TO $120 MULTIPLIED BY THE RATIO OF THE MOTOR VEHICLE FUEL TAX IMPOSED BY SUBSECTION A OF THIS SECTION TO $.18.

(b) BY A COMBINATION OF ELECTRICITY AND MOTOR VEHICLE FUEL, USE FUEL OR NATURAL GAS SHALL PAY AN ANNUAL AMOUNT EQUAL TO $60 MULTIPLIED BY THE RATIO OF THE MOTOR VEHICLE FUEL TAX IMPOSED BY SUBSECTION A OF THIS SECTION TO $.18 IN ADDITION TO THE PER-GALLON TAX ON THE FUEL SOURCE OTHER THAN ELECTRICITY.

(c) BY PROPANE OR COMPRESSED NATURAL GAS SHALL PAY AN AMOUNT EQUAL TO $.18 ON A GAS GALLON EQUIVALENT, WHICH IS 5.66 POUNDS, MULTIPLIED BY THE RATIO OF MOTOR VEHICLE FUEL TAX IMPOSED PURSUANT TO SUBSECTION A OF THIS SECTION TO $.18.

(d) BY ANY OTHER SOURCE OF FUEL NOT LISTED IN THIS PARAGRAPH, THE DEPARTMENT SHALL ESTABLISH A TAX IN AN AMOUNT TO BE DETERMINED BY THE DIRECTOR THAT IS CONSISTENT WITH THE TAX OF THE MOTOR VEHICLE CLASS THAT THE MOTOR VEHICLE IS REPLACING AND SHALL BE INDEXED AT THE SAME RATIO OF MOTOR FUELS IMPOSED PURSUANT TO SUBSECTION A OF THIS SECTION TO $.18.

2. A HEAVY-DUTY VEHICLE THAT IS OVER TWENTY-SIX THOUSAND POUNDS GROSS VEHICLE WEIGHT RATING AS ESTABLISHED BY THE MANUFACTURER OR THAT HAS THREE AXLES OR MORE AND THAT IS FUELED:

(a) EXCLUSIVELY BY ELECTRICITY SHALL PAY AN AMOUNT EQUAL TO $.0143 PER KILOWATT HOUR AS CONSUMED, WHICH IS THE USABLE DIESEL GALLON EQUIVALENT, MULTIPLIED BY THE RATIO OF THE USE FUEL TAX IMPOSED BY SUBSECTION B OF THIS SECTION TO $.26.

(b) BY A COMBINATION OF ELECTRICITY AND MOTOR VEHICLE FUEL SHALL PAY AN AMOUNT EQUAL TO $.0143 PER KILOWATT HOUR AS CONSUMED, WHICH IS THE USABLE DIESEL GALLON EQUIVALENT, MULTIPLIED BY THE RATIO OF THE USE FUEL TAX IMPOSED BY SUBSECTION B OF THIS SECTION TO $.26 IN ADDITION TO ANY TAXES PAID ON THE OTHER FUEL SOURCE OTHER THAN ELECTRICITY.

(c) BY PROPANE OR COMPRESSED NATURAL GAS SHALL PAY AN AMOUNT EQUAL TO $.26 ON A GAS GALLON EQUIVALENT, WHICH IS 5.66 POUNDS, MULTIPLIED BY THE RATIO OF THE USE FUEL TAX IMPOSED BY SUBSECTION B OF THIS SECTION TO $.26.

(d) BY LIQUID NATURAL GAS SHALL PAY AN AMOUNT EQUAL TO $.26 ON A USABLE DIESEL GALLON EQUIVALENT, WHICH IS 6.06 POUNDS, MULTIPLIED BY THE RATIO OF THE USE FUEL TAX IMPOSED BY SUBSECTION B OF THIS SECTION TO $.26.

(e) BY HYDROGEN SHALL PAY AN AMOUNT EQUAL TO $.26 ON A USABLE DIESEL GALLON EQUIVALENT, WHICH IS 2.2 POUNDS, AND REDUCED BY FORTY-FIVE PERCENT, MULTIPLIED BY THE RATIO OF THE USE FUEL TAX IMPOSED BY SUBSECTION B OF THIS SECTION TO $.26.

(f) BY ANY OTHER SOURCE OF FUEL NOT LISTED IN THIS PARAGRAPH, THE DEPARTMENT SHALL ESTABLISH A TAX IN AN AMOUNT TO BE DETERMINED BY THE DIRECTOR THAT IS CONSISTENT WITH THE TAX OF THE MOTOR VEHICLE CLASS THAT THE MOTOR VEHICLE IS REPLACING AND SHALL BE INDEXED AT THE SAME RATIO OF USE FUEL TAX IMPOSED BY SUBSECTION B OF THIS SECTION TO $.26.

G. FOR THE PURPOSES OF THIS SECTION:

1. "HEAVY-DUTY VEHICLE" HAS THE SAME MEANING PRESCRIBED IN 42 UNITED STATES CODE SECTION 16104(a).

2. "LIGHT MOTOR VEHICLE" HAS THE SAME MEANING PRESCRIBED IN SECTION 28-5491.

3. "USABLE DIESEL GALLON EQUIVALENT" MEANS THE CONVERSION OF USE FUEL TO A COMMON ENERGY DENSITY, SUCH AS BRITISH THERMAL UNITS OR JULES, AND COMPENSATING FOR THE NATURAL HEAT LOSS OF INTERNAL COMBUSTION ENGINES SO THAT THE RATE IS CLOSE TO ITS INTERNAL COMBUSTION ENGINE COUNTERPART REGARDING THE AMOUNT COLLECTED FOR THE VEHICLE'S USE OF THE ROADS AND BRIDGES IN THIS STATE.

Sec. 2. Legislative intent

The legislature intends to ensure that operators of motor vehicles that are powered by alternative fuel as defined in section 1-215, Arizona Revised Statutes, are paying an amount that is proportionally equal to the amount that operators of motor vehicles powered by motor fuel as defined in section 28-5601, Arizona Revised Statutes, for the purposes of highway use and maintenance.

Sec. 3. Requirements for enactment; two-thirds vote

Pursuant to article IX, section 22, Constitution of Arizona, this act is effective only on the affirmative vote of at least two-thirds of the members of each house of the legislature and is effective immediately on the signature of the governor or, if the governor vetoes this act, on the subsequent affirmative vote of at least three-fourths of the members of each house of the legislature.