



# ALASKA AUTO DEALERS ASSOCIATION

P.O. Box 201305, Anchorage, Alaska 99520-1305

January 23, 2014

The Honorable Steve Thompson  
Alaska State Legislature  
120 4<sup>th</sup> Street  
State Capitol, Room 3  
Juneau, Alaska 99801-1182

RE: House Bill 276

Dear Representative Thompson:

Thank you for introducing House Bill 276 that exempts certain employees of motor vehicle dealers from the Alaska Wage and Hour Act. This legislation clarifies the long-standing employment practices in the industry and maintains a commission based employment system that works well for both employees and employers.

Confusion arose about the definition of commission sales, specifically whether the commission would be based on the gross or net of the sale of an automobile. We attempted to get this addressed through regulation. The Department of Labor and Workforce Development has been very helpful in attempting to resolve this issue. Unfortunately, the solution could not be achieved even through regulation change.

HB 276 permits auto dealers to pay sales employees on a commission basis, without regard to whether the commission is applied to the gross or the net of a sale. Auto dealers generally pay commissions based on the net of the sale. The prime reason is that the auto dealer must pay for the vehicle first out of the sale price. Advertising laws prevent an "add-on" charge to an advertised sales price to accommodate a commission. Thus, if the net of a sale is 3% of the gross, the dealer cannot pay a commission of 5%. This legislation allows for auto dealers' common practice of using a net amount against which the commission is applied.

We appreciate your introduction of HB 276, as it will assist both employees and dealerships to be fairly compensated for their work.

Sincerely,

Marten Martensen  
President