

ALASKA STATE LEGISLATURE

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House Bill 314 - Sponsor Statement

In 2003, the legislature passed a rental vehicle tax intended to raise revenue from tourists using the State's road system. The rental car companies collect the tax from tourists renting an automobile and then pay that tax to the State. For the first nine years of the rental vehicle tax, the Department of Revenue (DOR) did not apply the tax to Alaskan companies engaged in the long-term leasing of heavy vehicles to other Alaskan businesses. In 2013, however, the DOR began to attempt to collect the rental vehicle tax from Alaskan businesses who do NOT rent to tourists, and who had long-term leases, mostly of heavier vehicles, with other Alaskan businesses. Moreover, instead of announcing its new position and applying it prospectively, DOR has sought to apply the rental vehicle tax retroactively to 2004. Requiring businesses to pay a 10% rental vehicle tax on all leases for the past nine years that were not collected from clients may bankrupt many small Alaska businesses.

HB 314 clarifies and amends the rental vehicle tax to make it clear that the vehicle rental tax does not apply to Alaskan businesses making long-term rentals to other Alaskan businesses.

Specifically, HB 314:

- (1) States that all rentals in excess of 30 days are exempt from the rental vehicle tax and clarifies that all renewals and extensions of a vehicle lease are included when determining if a lease is more than 30 days
- (2) Revises the rental vehicle tax to exclude vehicles with a gross vehicle weight rating of 6,500 lbs or more that are primarily used for the personal or commercial transportation of goods, equipment or other property. DOR has interpreted the current rental vehicle tax's exemption of vehicles used to transport personal property as applying only to the transport of household goods for private, personal purposes. HB 314 clarifies that this exemption applies to the transport of any goods, equipment, or other property, whether for commercial or private purposes. HB 314 also reduces the minimum gross vehicle weight rating to qualify for this exemption from 8,500 lbs to 6,500 lbs to insure that the rental vehicle tax is not being applied to Alaskan businesses engaged in commercial rentals of heavy vehicles (i.e. half-ton and 3/4 ton trucks) to other Alaskan businesses.

- (4) Makes these changes retroactive to 2004, as they reflect the original intent of the legislature that the vehicle rental tax applies to tourists, and not to Alaskan businesses renting to other Alaskan businesses.

Currently, DOR is attempting to collect nine years of back taxes, interest, and penalties from many different Alaskan companies based on its new interpretation and application of the vehicle rental tax. HB 314 clarifies that the DOR's actions are contrary to the original intent of the legislation and ensures that back taxes, interest, and penalties are not owed.