

## RELEVANT EXCERPTS FROM THE LEGISLATIVE HISTORY

### House Bill 271 – Passenger Motor Vehicle Tax

- 1. Sponsor Statement for HB 271 – Pete Kott** “The travel industry is the second largest private-sector industry in Alaska. There were 1.6 million visitors to the state in 2002—two visitors for every resident....The majority of visitors to Alaska come by cruise ship or domestic flight, and many of these visitors rent passenger vehicles to view our scenery and wildlife. Extra vehicles exacerbate the need for road maintenance and repair and conduces interest in construction of roads into other potential tourist destinations. House Bill 271 is a way for the State to raise revenues that could be used for road and highway maintenance, repair, and construction as well as contribute to the tourism industry for promotion and marketing....At a time when State government spending must be decreased in order to balance the budget, those who benefit from State services must, concurrently, contribute to the support of those services.”
- 2. CSHB 271, SLA 2003, AN ACT** Levying and providing for the collection and administration of excise taxes on the rental of passenger and recreational vehicles usable on highways and vehicular ways.
- 3. Fiscal Note 1 and Sectional Analysis to HB 271 (4/24/2003).** “AS 43.52.030 imposes the tax on the lessor, and the tax must be remitted as required by the department in regulations.” *Id.* at 2. (Precludes failure-to-collect penalty) “This legislation would impose a 15% tax on the rental of motor vehicles, predominantly passenger cars and trucks, but also motorcycles. Trucks that do not fall within the commercial vehicle classification would be subject to tax. This would likely include some of the smaller trucks leased by self-service moving companies.” *Id.* “Passenger vehicles leased for more than 90 consecutive days are exempt from the tax. This would exclude passenger cars leased by individuals and businesses for long-term use as an alternative to the purchase of a vehicle. The department, however, interprets the bill to require that the rental must actually run for 91 consecutive days to be exempt. A long-term lease that is cancelled, for example, after 45 days would result in the application of the tax to the rental.” *Id.* “The Department expects it will need the equivalent of one full-time employee to handle the accounting and collections, taxpayer service and compliance work associated with this tax. In addition, we would expect to conduct taxpayer outreach and education efforts to help start this new program.” *Id.* at 4.
- 4. Fiscal Note 2 to HB 271 (5/7/2003).** Tax rates reduced to: 10% passenger vehicle, 3% RV. “In addition, we would expect to conduct taxpayer outreach and education efforts to help start this new program.” *Id.* at 2.
- 5. Minutes, House Special Committee on Ways & Means, HB 271 (4/22/2003).** “Rep. Kott [sponsor] pointed out that 80% of the tax will be paid by non-Alaskans. Usually, it is when travelling on business or when the car is in the shop and an insurance

company pays for the rental.” *Id.* at 4. “This is one way to impose a small tax on Alaskans who may rent a car, although in most cases, Alaskan’s will not be affected. Rep. Kott stated he does not believe there will be any loss of tourism as a consequence of implementing this tax. Tourists who come to Alaska rent vehicles, recreate, and participate in various activities. The state does not impose any tax on tourists at this point.” *Id.* at 6. “In fact, with this legislation the state would receive a small amount of money, \$5 – 10 million, which could be used to offset some of the damage to roads and parks by tourism.” *Id.* at 7. “Rep. Kott pointed to the fiscal note and said that the details are comprehensive. He commented that there are entities in the tourism field that are cognizant of this bill and other measures that will generate money from non-Alaskans, whether they are working on the North Slope or visiting as a tourist.” *Id.* at 9. “Rep. Kott cautioned the members who might propose a change in the definition of commercial vehicles or exemptions to be aware of the potential conflict a change might have in municipalities and the confusion that might follow with rental car companies.” *Id.* at 10.

6. **Minutes, House Special Committee on Ways & Means, HB 271 (4/23/2003).** “Rep. Rokeberg pointed out that when Alaskans are polled regarding revenue enhancement, one suggestion is to get the visiting public to pay. Therefore, this legislation appears to be a vehicle that allows for that.” *Id.* at 10.
7. **Minutes, House Special Committee on Ways & Means, HB 271 (4/24/2003).** “Co-Chair Hawker [explained that]...[n]othing in this bill in any way prohibits the lessors of the vehicles from collecting the excise tax from the consumers.” *Id.* at 5. (Suggests that tax is imposed on lessor and failure-to-collect penalty would not apply).
8. **Minutes, House Finance Committee, HB 271 (4/25/2003).** “Representative Stoltze asked whether this might be detrimental to the tourism industry. Mr. Knauss [staff representative for Rep. Kott, bill sponsor] responded that they would like to see tourists pay their fair share.” *Id.* at 13. “Co-Chair Harris asked whether the bill allowed for Alaska residents to be excluded from the rental car tax. Mr. Knauss stated that the only exemption was for governmental employees.” *Id.* at 14. “Representative Kott indicated that the intent language tax revenue might be directed towards tourism marketing. He stated that he would like to see some of the tax return to the industry.” *Id.* “Rep. Stoltze asked whether they had considered a seasonal tax, effectively exempting Alaskans from rentals during non-tourist season. Rep. Kott maintained that a seasonal tax would not be cost effective. He added that the bill would not affect Alaskans since most Alaskans did not need a rental car in the state for extended periods of time, with the exception of state government work, which is exempted.” *Id.* at 15. “Vice-Chair Meyer asked for a breakdown of car rentals for the business sector and the tourism industry. Mr. Zimmerman [AVIS Rep] responded that the true tourist business comprised 60% of the summer business. During winter, October to late April, the bulk of business is corporate.” *Id.* at 17.

9. **Minutes, House Finance Committee, HB 271 (5/7/2003).** Proposing amendments from W&M and House Finance Versions which “clearly spell out that the tax should not be charged on top of other [i.e. municipal] taxes.” “Mr. Persily [Dep. Comm’r, Dept. Rev.] noted that the substance of the bill remains the same and would place a 10% tax on passenger vehicles and pick-up trucks...” *Id.* at 3. “Co-Chair Williams agreed with the sponsor that the amendment would not work well.” *Id.* at 4. “Rep. Hawker...maintained that the legislation [without the proposed amendment] would bring Alaska in line with the average national levels. He stressed that this would be a tax on business corporate users. Less is not more when attempting to balance the overall budget. He stated that he would oppose Amendment #1 [limiting amount of tax state could collect on top of municipal tax].” *Id.* FAILED. RE: Amendment #2 – tax collectable only if \$10m are allocated to tourism marketing. “Rep. Croft explained that part of the justification for the bill was that it is needed for tourism marketing funding. Amendment # 2 stipulates that if the appropriate level of \$10m has not [sic?] been met then than the tax could be collected, otherwise it could not be.” *Id.* at 5. FAILED.
10. **Minutes, House Rules Committee, HB 271 (5/10/2003).** RE: Amendment #1 – state tax stacked on top of municipal taxes cannot exceed 10%. FAILED at pg. 27.

### **House Bill 347 – Taxicab Exemption**

1. **Sponsor Statement for HB 347 – Pete Kott** “House Bill 347 has been introduced specifically to exclude a taxicab from the definition of “passenger vehicle” in statute, thereby exempting taxicab rentals from the vehicle rental tax. Last year, HB 271 was passed with the intent to levying excise taxes on the rental of passenger and recreational vehicles usable on highways and vehicular ways. This imposed a substantial and confusing burden on owner-lessors of taxicabs who would be required to collect from the taxicab drivers. This was a technical and unintended application of the Vehicle Rental Tax to commercial taxicab lease transactions.”
2. **Ch. 29 SLA 2004, HB 347 (Taxicab Exemption)** Includes repayment provision.
3. **Fiscal Note to HB 347 (1/16/2004)** “This bill will specifically exempt cab drivers who rent or lease their taxi cabs to taxi cab drivers from the vehicle rental tax. When the vehicle rental tax was initially proposed, the Department of Revenue’s projected revenue amount of \$1million in 2004 and \$6 million in fiscal years thereafter did not include revenues from the rental or lease of taxicabs. Therefore, if taxi cab rentals and leases are exempted from the vehicle rental tax, there will be no change in the projected vehicle rental tax revenues as originally estimated by the Department.”
4. **Fiscal Note to Amendment #1 to HB 347 (3/31/2004)** (exempting certain trucks in addition to taxicabs) “This bill will specifically exempt cabs and vehicles used exclusively

for the hauling or delivery of cargo from the vehicle rental tax. When the vehicle rental tax was initially proposed, the Department of Revenue's projected revenue amount of \$1million in 2004 and \$6 million in fiscal years thereafter did not include revenues from the rental of taxicabs or vehicles used exclusively for the hauling or delivery of cargo. Therefore, if taxi cabs and vehicles used exclusively for the hauling or delivery of cargo are exempted from the vehicle rental tax, there will be no change in the projected vehicle rental tax revenues as originally estimated by the Department. However, since these two types of vehicle rentals are currently subject to the tax, there will be a reduction in potential revenues due to the exemptions provided for in this bill. We have not estimated the change in revenues from the taxi cab exemption. We have estimated the reduction from vehicles used exclusively to haul cargo will be approximately \$400,000 per year." See Attached Spreadsheet: *Estimated Yearly Truck Rental Revenues in Alaska Rented for Under 91 Days*. "Note 1: Company 1 has recently decided to get out of the leasing business because of the administrative burden caused by the Vehicle Rental Tax. It is the largest rental business of commercial vehicles on the North Slope. The trucks are rented out of a 'pool' and the lease periods are usually under 91 days, but over 30 days."

5. **Minutes, House Finance Committee, HB 347 (1/29/2004)**. "Rep. Croft moved to ADOPT Amendment #1 [to HB 347].... He noted that vehicles over 10,000 lbs would be exempt not only the ones over 26,000 lbs primarily used commercially. The amendment removes a narrow category of trucks and provides a 'tighter' definition." *Id.* at 5. "Rep. Croft corrected, Amendment #1 does *not* address the U-Haul issue, but primarily changes the 26,000 lbs to the 10,000 lbs limit. A new class of trucks would be exempt and it would solve the concern brought forward by the Trucking Association. He added, apparently, U-Hauls do not fit into the commercial motor vehicle category." *Id.* "Vice-chair Meyer asked what type of trucks were being addressed in the amendment. Rep. Croft did not want to exempt big 6,000 – 7,000 lbs vehicles. The bill would not change that as it only affects those between 10,000 and 26,000 lbs." *Id.* "Co-Chair Williams reminded members that the intent of the legislation was to help taxi cab drivers. He was concerned with changing language in the bill." *Id.* Amendment Failed. Considering Amendment #1 to HB 347, which would exempt commercial vehicles over 10,000 lbs (targeting commercial trucks) in addition to taxis, "Co-Chair Harris asked if the bill would tax semi-trucks or trailers used for commerce in the 10,000 lbs – 26,000 lbs range. Ms. Stancliff [staff representative for Rep. Kott, sponsor of HB 271] did not believe they would be taxed. She noted that the Department of Revenue provided information regarding the 10,000 lbs – 26,000 lbs range with a small number of vehicles falling into it such as the Ford F-350 and the Ram 3500. There are a small number of commercial pick-ups on the North Slope that fall into that category, as do the U-Hauls. She did not know about semi-trucks or flatbed trucks and recommended that the Department of Revenue answer that question." *Id.* at 6. Co-Chair Harris asked Janis Hales, Dept. of Rev., Anchorage, whether a semi-truck rented without the trailer, weighing less than 26,000 lbs, would be taxable under HB 271. "Ms. Hales stated that if

only the semi was rented, it would be taxable as the law is currently written. Co-Chair Harris clarified that if the vehicle was used to haul commerce around the State, would then be taxed. Ms. Hales reiterated that it would as the bill is currently written.” *Id.* at 7. “Representative Croft pointed out that Amendment #1 [exempting vehicles over 10,000 lbs] addresses not only poundage but also the concern for ‘commercial purposes.’ He believed that Amendment #1 could provide a ‘fix.’”

6. **Minutes, Senate Finance Committee, HB 347 (3/9/2004).** “It was not the intent of the original bill to negatively impact small businesses.” *Id.* at 17. “Senator Bunde pointed out that the passenger car rental tax applies to everyone renting a car, including Alaska residents.” *Id.*

### Senate Bill 174 – U-Haul/Truck Exemption

1. **Ch. 1 SLA 2006, SB 174** Excluding “rental truck” from the definition of “passenger vehicle”: “in this subparagraph, ‘rental truck’ means a motor vehicle with a gross vehicle weight rating greater than 8,500 pounds that is designed, used, or maintained primarily for the transportation of personal property.”
2. **Minutes, Senate Transportation Committee, SB 174 (4/19/2005).** “Deborah Grundman, staff to Senator Huggins, said: ... Senate Bill 174 was introduced to correct an unintended consequence of legislation passed in 2003. In 2003 the Alaska Legislature passed HB 271 as a tourism based tax on passenger rental cars and recreational vehicles. The purpose of the tax was to tax visitors using our road system, not local citizens. ... Senate Bill 174 will ensure that the tax applies more specifically to the intended target of visitors renting passenger vehicles and recreation vehicles.”... “Chair Huggins asked how he [president of U-Haul Alaska] how he was told he was supposed to collect the tax. Mr. Norris answered that the Department of Revenue contacted his accounting firm.” *Id.* at 5. “Senator Therriault asked if standard pickup trucks are taxed. Mr. Norris said that standard pickup trucks would still be taxed if this bill were to pass since they weigh less than 8,500 pounds, which is the exception limit.” *Id.*
3. **Minutes, Senate Finance Committee, SB 174 (4/26/2005).** “Senator Charlie Huggins, Sponsor of the bill, testified that in 2003, a consequence of the rental vehicle passenger tax legislation imposed the tax to rental vehicles used to move personal property. He was told this was not the intent of the bill and concluded it reasonable that U-Haul type vehicles are not in the same category as rental cars. He detailed the types of vehicles used for hauling.” *Id.* at 2.
4. **Minutes, House Finance Committee, SB 174 (5/3/2005).** “SENATOR HUGGINS, SPONSOR: [T]he Legislature passed HB 271 as a tourism-based tax on passenger rental cars and recreational vehicles. The purpose was to tax visitors using the road system, not local citizens.... Senator Huggins added that the Department of Revenue has assessed

the tourism-based tax on all rental vehicles, including trucks less than 26,000 pounds. Interpretation of the law has resulted in a 10% tax applied to businesses and citizens renting trucks.” Pg. 7.

5. **Fact Sheet for SB 174** “Benefits: Prevents Alaskans from paying a tax intended for tourists.” “The legislation ensures only visitors, not Alaskans, pay the tax.”

### **House Bill 56 – Motorcycle Exemption**

1. **Ch. 8 SLA 2013, HB 56.** AN ACT Excluding motorcycles and motor-driven cycles from the passenger vehicle rental tax.
2. **Sponsor Statement (Rep Lindsey Holmes):** In 2003, the legislature passed a motor vehicle rental tax for rental cars. Motorcycles were unintentionally included in that law. During the 2003 hearings, motorcycles were never considered and the Department of Revenue did not collect the tax until several years after the law became effective. Passing this legislation corrects the accidental inclusion of motorcycles to the existing rental vehicle tax.
3. **2013 House Transportation Committee Meeting:** JOHANNA BALES, Deputy Director, Tax Division, Anchorage Office, Department of Revenue (DOR), stated the purpose of the MVRT was to collect tax on vehicles that were driven and licensed for use on public highways. It does not encompass snowmachines or recreational vehicles (RVs), but after some detailed review of the law - also reviewed by the Department of Law (DOL) - motorcycles are currently included and are taxed. In response to Chair Wilson she agreed this bill would remove motorcycle from the definition of a passenger vehicle.
4. **2013 House Finance Committee Meeting:** MATT FONDER, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), replied that that he did not know. He explained that the department had one person that worked with all of the Vehicle Rental Taxes in the state which made it difficult to break down how much time was spent on motorcycles alone.
5. **2013 Senate Transportation Committee Meeting:** JOHANNA BALES, Deputy Director, Tax Division, Alaska Department of Revenue, said when the original vehicle rental tax was passed, motorcycle rentals weren't recognized; once that was discovered they spoke with the Department of Law who said that motorcycles do fall under the definition of a "passenger vehicle." So they reached out to the companies and brought them into compliance. Based on most other taxes the state brings in, this is fairly insignificant and is a bit difficult for the rental car companies. They have no official opinion on the bill, but at the same time they want to provide as much information as they can and believe it is an "immaterial amount of revenue."

6. 2013 Senate Finance Committee Meeting: Mr. Waldo [Rep. Holmes' staff] responded that the concept was introduced by the motorcycle rental businesses. The Department of Revenue had only decided a few years prior to tax the businesses, which had been a surprise to the industry. The department had originally asked for back taxes for the previous 19 years that they had been collection the passenger vehicle rental tax, but had decided against the punitive measure.