

# Alaska Motorcycle Adventures

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Honorable Representatives:

We are writing to you to ask for your support of House Bill 56 regarding excluding motorcycles from the Passenger Vehicle Rental Tax.

[http://www.legis.state.ak.us/basis/get\\_bill.asp?bill=HB%20%2056&session=28](http://www.legis.state.ak.us/basis/get_bill.asp?bill=HB%20%2056&session=28)

We are the owners of Alaska Motorcycle Adventures. A small business located in the Palmer, Alaska. We have been renting motorcycles in Alaska since 1994. Yes, 2013 will be our 20<sup>th</sup> summer providing a great service for Alaskan tourists that would choose to vacation elsewhere if it were not for the availability of motorcycle rentals.

In 2003, the Alaska legislature passed HB 271, a vehicle rental tax on passenger vehicles, without any knowledge or discussion of the motorcycle rental businesses that were operating at that time. We had been in business for at least 8 years.

We (motorcycle rental businesses) went unnoticed for another 5 years. Therefore, we did not collect the 10 % VRT from our customers. In 2008, a Department of Revenue (DOR) employee was driving on Spenard Road in Anchorage and saw the store front for one of the motorcycle rental companies (Alaska Rider Tours/MotoQuest). Soon after, most of us were contacted by DOR, and directed to collect and forward the 10% tax. In addition, the Department of Revenue requested the back taxes, from 2005 to 2009 - 5 years of taxes that we did not collect - something that would have bankrupt every one of our small businesses! After much discussion and pleading, the back taxes were forgiven as we had never collected them and we were completely unaware we required to do so.

When HB 271 was discussed in 2003, motorhome and RV rental companies were aware that such a tax was being considered. This group of locally owned motorhome/RV businesses had a spokesperson present the facts of their rate and fee structure. As a result of their lobbying and inclusion in the discussion, the Vehicle Rental Tax on motor home and RV rentals was reduced to 3%. In addition, there are specific exemptions from the motorhome rental's "fees and costs" such as pots, pans, linens, GPSs, cell phones, child seats, etc. The RV per day rate structure is very similar to ours, yet our customers pay the 10% their total rental. Our rentals also include items such as helmets, riding jackets, GPS's, cell phones, tank bags and remote riding surcharges. Per the Department of Revenue, all of our customer's fees and costs are taxed at the 10% - NO EXEMPTIONS!

Below is a chart of examples from actual rentals. Please compare to the tax for a motorcycle rental to the tax for a same cost motorhome/RV rental:

Customer	Hometown	Total Rental Amount	VRT – Motorcycle @ 10%	VRT – RV / Motorhome @ 3%
Mr. and Mrs. P 2 Motorcycles / 11 days	Seward, Alaska	\$3860.00	\$386.00	\$115.80
Mr. B 1 Motorcycle / 12 days	Groveland, Mass.	\$2280.00	\$228.00	\$68.40
Mr. I 1 Motorcycle / 11 days	Denver, Colorado	\$1765.00	\$176.50	\$52.95
Mr. K 1 Motorcycle / 6 days	Scottsdale, Arizona	\$1230.00	\$123.00	\$36.90

Ericsson's Motorcycle Tours (Sweden) \*\*

**7 motorcycles - total Vehicle Rental Tax \$1,435.00**

Same rental for an motorhome/RV = \$430.50 tax

As you can see from our rate structure, the Vehicle Rental Tax is extremely high - especially when applied to a 6, 12 or 14 day rental. Please note that there is no tax cap that would help Mr. & Mrs. P of Seward, Alaska (\$386.00 tax) or Ericsson's of Sweden (\$1,435.00 tax) for their motorcycle rentals in Alaska.

In 2010, the Cruise industry's punitive and damaging head tax was reduced from \$46.00 per person (\$92.00 per couple) to \$34.50 (69.00 per couple). Comparatively, we believe the original \$92.00 per couple head tax for use of Alaskan facilities and marketing efforts was quite reasonable.

Also consider that our motorcycle rental customers put more dollars per tourist into the local economies than the motorhome rentals or cruise ship passengers do. Motorhome rental customers do not use the local hotels, restaurants and facilities that are frequented by our motorcycle rental customers. Our motorcycle rental customers frequent remote locations like Chicken, Wiseman, Tangle River, Paxson, McCarthy, Eagle, Gracious House, Central, Circle and the list goes on. Businesses in these locations rarely see an RV or motorhome and almost never see a cruise ship passenger!

The unintended consequence of the excessive Vehicle Rental Tax is that our customers choose to rent the motorcycle(s) for fewer days to cover or reduce their rental tax. Or they choose not to visit Alaska at all! When we have fewer rental days, we need fewer employees and we spend fewer dollars in other Alaskan businesses. This hurts all of the small, locally owned businesses that are so vital to our Alaskan economy.

Thank you for your heartfelt consideration of passing into law HB 56. Please contact me if you need further information or have any questions.

Kind regards,  
Nancy and Keith Hull  
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