

Alaska Motorcycle Adventures

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Honorable Senators and Representatives:

We are writing to you to ask for your support of Senate Bill 19 and House Bill 62 regarding Passenger Vehicle Rental Tax.

http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=SB19

http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=hb62

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, 2011 will be our 18th 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.

According to AS.28.90.990, motorcycles are not "passenger vehicles" just as farm vehicles are not "passenger vehicles". By not specifically addressing motorcycles and motorcycle rental business in 2003, the Alaska Legislature has allowed the Department of Revenue to make a very open interpretation of the "passenger vehicle rental tax" and this has had "unintended consequences" for our customers and businesses.

Please consider the following:

Alaska's motorcycle rental businesses were unknowingly omitted from all discussion concerning the Vehicle Rental Tax when was passed in 2003 under HB 271. The Alaska Legislature, the Senate Transportation Committee, and the Department of Revenue were completely unaware that our businesses existed, even though Alaska Motorcycle Adventures had been in business since 1994. We were completely unaware such a tax had been discussed and passed in HB 271.

Therefore, from 2004 – 2009 (SIX years) our customers were not taxed. In 2008, a Department of Revenue 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 told to start collecting 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, 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 received word that such a tax was being considered. This group of locally owned 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%. 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 in 2010. 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

Mr. E's Motorcycle Tours (Sweden) **

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

\$14,350.00 = Total Charge --- $\$1,4350.00 \times 10\% = \$1,435.00$ in Vehicle Rental Tax

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

**** MotoQuest (another Alaskan motorcycle rental company) provided an additional 5 motorcycles with a Vehicle Rental Tax of approximately \$1000.00 to \$1200.00. So, Mr. E's total Vehicle Rental Tax could have been over \$2400.00 (\$1435.00 + \$1000.00 = \$2435.00 – YIKES!)**

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 Mr. E. 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!

In 2004, **HB347** was introduced to correct the unintended inclusion of Taxi cabs. This was passed into law and the exemption was granted. In 2005, **SB174** was introduced for the local moving van companies (i.e. U-Haul) to ask for an exemption and correct their unintended inclusion, because Alaskan residents should not be taxed to move their belongings. This was passed into law and the exemption was granted. These two Bills asking for changes and exemptions should be proof and verification to the current Transportation Committee and Alaska legislature that a few rental markets were not evaluated upon implementation of the Vehicle Rental Tax in 2003.

We believe that if the Transportation Committee and the Alaska legislature had been aware of our motorcycle rental businesses in 2003, they would have addressed the issue that motorcycles are not "passenger vehicles" and not left this to open interpretation by the Department of Revenue.

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, we buy fewer lattes 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. A simple estimate for the gross receipts for all of the motorcycle rental companies would be approximately \$500,000 for the summer of 2011. This would be only \$50,000 in the Alaska State coffers - a very, very small amount of money! However, a very large amount of money when collected from a very small number of Alaskan tourists!

Thank you for your heartfelt consideration of passing into law HB 62 and SB 19. Please contact me if you need further information or have any questions.

Kind regards,
Nancy and Keith Hull
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