

State of Alaska

Department of Revenue

Administrative Services Division



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March 9, 2011

The Honorable Bert Stedman
Senate Finance Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Senator Stedman,

During the March 8th hearing on SB 19 (exempting motorcycles from the vehicle rental tax), you asked for the following information:

Question: How many motorcycle rental businesses are in Alaska?

Answer: We have identified four motorcycle rental businesses.

Question: Why wasn't the tax collected?

Answer: At the time the vehicle rental tax was first implemented (January 1, 2004), we were not aware that motorcycles were rented in Alaska. We sent a letter to all known passenger and recreational vehicle rental places, but did not include a letter to motorcycle rental businesses. In August 2009, one of our investigators informed our auditor that one of the motorcycle sales places was also renting motorcycles. We initially assumed that motorcycles were not passenger vehicles and turned to the Department of Law to research the issue for us. The Department of Law informed us that the definition of "passenger vehicle" within the vehicle rental tax statutes includes motorcycles.

Question: What policies were taken by the Department to rectify the uncollected tax and what is the plan moving forward?

Answer: Once we determined that motorcycles were subject to the tax, we sent letters to all known motorcycle dealers and informed them that they are subject to the vehicle rental tax for all motorcycle rentals made since the inception of the vehicle rental tax. In early 2010, we identified approximately 4 companies that are renting motorcycles and have been working with these companies to bring them into compliance. As far as moving forward, we will continue to work with any company that has not complied with the vehicle rental tax. Those companies are assessed tax, interest, and penalties for failing to file and pay the tax. As with all other taxpayers, they have the right to appeal and each taxpayer will be reviewed on a case-by-case basis.

Other relevant information:

The vehicle rental tax went into effect on January 1, 2004. At that time, taxicabs, moving vans and trucks (such as U-Hauls), and vehicles rented while a consumer is having warranty work done on their owned vehicle were subject to the vehicle rental tax. During the 2004 legislative session, taxicabs were exempted from the definition of a "passenger vehicle". During the 2005 legislative session, moving

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vans and trucks, and vehicles rented while having warranty work done on an owned vehicle were also exempted from the definition of “passenger vehicle.” It is interesting to note that the Municipality of Anchorage specifically excludes motorcycles from their vehicle rental tax.

If you have further questions, please feel free to contact Johanna Bales at Johanna.bales@alaska.gov at (907) 269-6628.

Sincerely,



Ginger Blaisdell
Director