

January 24, 2024

To: Members of the Alaska Senate Finance Committee

From: Americans for Tax Reform

Re: **Oppose New and Retroactive Taxes on Carsharing**

Dear Senator,

On behalf of Americans for Tax Reform and our supporters across Alaska, I urge you to oppose legislation that would raise taxes on the peer-to-peer carsharing marketplace and its many participants, who earn extra income by renting out their personal vehicles.

The bill before you today is an effort to exacerbate the tax advantage rental car companies already have over peer-to-peer carsharing services. **SB 127 would stifle competition and add an undue burden to a thriving industry in Alaska**, while adding a hefty new tax on productive vehicle owners, who are already subject to a variety of registration, licensing and sales taxes.

Particularly important from the taxpayer's perspective are provisions that would retroactively collect "back-taxes" from well-meaning individuals, who previously had no reason to expect any tax liability when choosing to provide services in the carsharing marketplace. **Imposing taxes after the fact introduces instability into the tax code** – and sends a clear warning to businesses across all industries that they, too, might have reason to fear a similar post-facto increase in their tax liability. **If the goal of this legislation is to foster a fair, business-friendly tax climate in Alaska, a retroactive approach achieves exactly the opposite.**

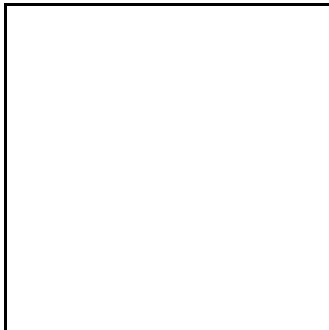
Moreover, SB 127 should at the very least offer a tax differential between carsharing and the traditional rental car industry, due to noteworthy differences in their respective business models. Last session's HB 90 provided for a lower tax rate of 5% on the "rental of a passenger vehicle from a vehicle rental individual," thus appropriately recognizing the fact that such individuals and a "vehicle rental **business**" (subject to a 10% tax rate) are two very different entities that ought to be treated differently under state law. **SB 127 would do well to recognize**

this distinction, rather than apply an equivalent rate of 10% upon both carsharing and traditional rental car companies.

Carsharing is an innovative business model that has allowed thousands of your constituents to unlock dormant capital through productive use of their assets. **By ensuring that the proposed framework for peer-to-peer carsharing avoids retroactivity and is structured in a way that acknowledges the inherent tax and regulatory advantages long enjoyed by traditional rental car industry, this committee could prevent some of the more serious harms that SB 127 would otherwise create.**

For these reasons, ATR urges you to oppose SB 127 in its current form. If I or ATR can be of assistance, please do not hesitate to contact me or Dennis Hull, ATR's state affairs manager, at 239-315-1020 or by email at dhull@atr.org.

Sincerely,



Grover G. Norquist

President

Americans for Tax Reform