

Title: Vehicle Rental Tax Suspension Revenue Estimates

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Purpose: To provide an estimate of the revenue impact from suspending the Vehicle Rental Tax between October to March each year.

Data Sources: Fall 2023 Revenue Source Book, Department of Revenue Tax Division Quarterly Report of Vehicle Rental Tax, Tax Revenue Management System.

Key Assumptions: Assumes that current statutes and regulations governing tax rates and restrictions remain the same throughout the forecasted period. These tax rates are 3% for Recreational Vehicle rentals and 10% for Passenger Vehicle rentals.

Assumes that revenue generated from penalties, interest, and refunds is generated following the same cyclical nature of the Vehicle Rental Tax.

Analysis does not account for changes in behavior due to the temporary suspension of the Vehicle Rental Tax.

Amounts presented here for a given the revenue collected during the October to March time period may not exactly match amounts reported elsewhere due to timing, prior year activity, or other factors.

The estimated impact on revenue from FY 2024 to FY 2033 is determined by subtracting the five-year average percentage of Vehicle Rental Tax revenue generated between October and March in fiscal years 2018 to 2023 from the projected future revenue. On average, 26% of the total Vehicle Rental Tax revenue is generated between October and March in the fiscal years 2018 to 2023. For FY 2014 to FY 2023, the estimated revenue impact is calculated by subtracting the percentage of total Vehicle Rental Tax revenue generated between October and March for each specific fiscal year from the total revenue generated in that fiscal year.

Quarterly Reports of Vehicle Rental Tax are available on tax.alaska.gov beginning in 2017, prior year data is from the Tax Revenue Management System.

History: This is the first iteration of this analysis.

Disclaimer: The Department of Revenue is in the process of reviewing and updating the data on which this analysis is based. As a result, future analyses could have different results.

Numbers may not add exactly due to rounding.

DRAFT Vehicle Rental Tax Suspension Revenue Estimates

Prepared January 31, 2024 by Economic Research Group

| | History | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| (\$ Millions) | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
| (Actuals / Fall 2023 Forecast / Status Quo) | \$ 8.3 | \$ 9.7 | \$ 12.0 | \$ 12.0 | \$ 10.6 | \$ 11.4 | \$ 9.7 | \$ 7.9 | \$ 13.9 | \$ 15.1 |
| Collections Between April to September | \$ 5.0 | \$ 7.1 | \$ 8.8 | \$ 8.7 | \$ 7.9 | \$ 8.5 | \$ 7.4 | \$ 5.6 | \$ 10.1 | \$ 11.3 |
| Vehicle Rental Tax Between October to March | \$ (3.3) | \$ (2.6) | \$ (3.2) | \$ (3.3) | \$ (2.7) | \$ (2.9) | \$ (2.3) | \$ (2.3) | \$ (3.8) | \$ (3.8) |

| | Fall 2023 Forecast | | | | | | | | | |
|--|--------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| (\$ Millions) | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 | FY 2033 |
| Baseline Vehicle Rental Tax Fall (Actuals / Fall 2023 Forecast / Status Quo) | \$ 15.1 | \$ 15.5 | \$ 15.9 | \$ 16.3 | \$ 16.7 | \$ 17.1 | \$ 17.5 | \$ 18.0 | \$ 18.4 | \$ 18.9 |
| Vehicle Rental Tax Revenue For Collections Between April to September | \$ 11.2 | \$ 11.5 | \$ 11.7 | \$ 12.0 | \$ 12.3 | \$ 12.6 | \$ 13.0 | \$ 13.3 | \$ 13.6 | \$ 14.0 |
| Revenue Impact of Suspending the Vehicle Rental Tax Between October to March | \$ (3.9) | \$ (4.0) | \$ (4.1) | \$ (4.2) | \$ (4.3) | \$ (4.5) | \$ (4.6) | \$ (4.7) | \$ (4.8) | \$ (4.9) |

Notes:

Numbers may not add exactly due to rounding.