

# Senate Bill 127: Frequently Asked Questions

## **Does Senate Bill 127 create a new tax?**

No. This legislation does not create a new tax. SB 127 clarifies that vehicle rental platform companies, such as Turo and Getaround, are responsible for collecting and remitting the existing tax. The relevant statute states:

*AS 43.52.010 Levy of passenger vehicle tax*

*There is imposed an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days.*

## **Does Senate Bill 127 make vehicle rental platform companies responsible for collecting and remitting the existing tax?**

Yes. Under current law, the Department of Law has concluded that vehicle rental platform companies are not responsible for paying the tax, but because they operate in the state, the legislature can require that they are responsible for collecting and remitting the tax on behalf of vehicle owners that rent a vehicle through the platform. Similarly, a vehicle rental company that provides a rental vehicle collects the tax from the individual renting the vehicle. The rental company in turn remits the tax to the Department of Revenue's Tax Division.

The Municipality of Anchorage (MOA) passed an ordinance in 2020 requiring vehicle rental platform companies to collect the MOA rental vehicle tax. The vehicle rental platform companies added the MOA tax to their application software ("app"), collect the tax on behalf of the vehicle owners, and remit the tax to the MOA. We are not aware of any lawsuits related to the collection of the MOA tax.

## **Does Senate Bill 127 change the excise tax rate for passenger vehicles?**

Yes. For passenger vehicles, the rate is 10% of the total fees and costs for renting or leasing. SB 127 lowers the passenger vehicle tax from 10% to 8% for vehicle rental platforms and keeps tax at 10% for all other rentals.

## **Will vehicle rental owners be liable to pay retroactive taxes under SB 127?**

No. SB 127 protects vehicle owners who have not been collecting the vehicle rental tax. It prevents the Department of Revenue from collecting retroactive taxes related to vehicle rental platform transactions.