



## **Representative Lindsey Holmes**

### **Sponsor Statement**

### **HB 56 – Passenger Vehicle Rental Tax**

House Bill 56 will remove the 10% tax on motorcycle rentals. Under the current law, motorcycle rentals are taxed at a rate that is too high for these local, Alaskan businesses. Lowering this rate is critical to protect this growing segment of our tourism industry.

Motorcycle rentals provide a popular attraction for independent travelers visiting Alaska. Motorcycle travelers go off the beaten path, traveling to remote bed and breakfasts, staying in smaller hotels, and eating at local restaurants. This is in contrast to RV renters who do not stay in hotels and are less likely to eat at restaurants. While RV renters pay a small rental tax of 3%, they don't pay local bed taxes and less in local sales taxes—motorcycle renters do.

The motorcycle rental season is brief, lasting only around four months. However, rental businesses incur fleet storage costs even in the winter months. The short rental season and high cost of overhead increase the price of rentals, making it difficult to draw in customers. Adding a 10% state tax makes renting motorcycles even more challenging for rental businesses.

In 2003, the legislature passed a motor vehicle rental tax for rental cars. Motorcycles were unintentionally included in that law. During the 2003 hearings, motorcycles were never considered and the Department of Revenue did not collect the tax until several years after the law became effective. Passing this legislation corrects the accidental inclusion of motorcycles to the existing rental vehicle tax.

Please join me in supporting this legislation to correct the unintentional consequences of the 2003 law and promote independent tourism in Alaska while protecting our local small businesses.