

ALASKA STATE LEGISLATURE

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Senator Click Bishop

CS Senate Bill 178 Sponsor Statement

In 2003, the legislature passed a rental vehicle tax intended to raise revenue from tourists using rental cars on the state's road system. The rental car companies collect the tax when the vehicle is rented and then submit that tax to the state.

For the first nine years of the rental vehicle tax, the Department of Revenue did not apply the tax to Alaskan companies engaged in the long-term leasing of heavy vehicles to other Alaskan businesses. In 2013, however, the DOR began an attempt to collect the rental vehicle tax from Alaskan businesses who may not be involved in the visitor industry and do not rent to tourists. Some companies had long-term leases, mostly of heavier vehicles, with other Alaskan businesses.

Moreover, instead of announcing its new position and applying it prospectively, the DOR has sought to apply the rental vehicle tax retroactively back to 2004. Requiring businesses to pay a 10% rental vehicle tax on all leases for the past nine years that were not collected from clients may bankrupt many small Alaska businesses.

CSSB 178 clarifies and amends the rental vehicle tax to make it clear that the rental vehicle tax does not apply to Alaskan businesses making long-term rentals to other Alaskan businesses.

Specifically, CSSB 178:

1. Reduces from 90 days to 30 days the term of a rental that is exempt from the tax.
2. Reduces from 8,500 lbs. to 6,500 lbs. gross vehicle weight vehicles that are exempt from the tax.
3. Adds to the definition of "passenger vehicles" to include: "the primary purpose of transporting passengers."
4. Better organizes the statute by consolidating the terms "passenger" and "recreational" into the same section.

Please join me in supporting this needed change to the passenger vehicle rental tax law.