

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: SB 178  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB178CS(TRA)-DOR-TAX-03-18-14  
Title: PASSENGER VEHICLE RENTAL TAX  
Sponsor: BISHOP  
Requester: (S)Transportation

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Tax Division  
OMB Component Number: 2476

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>	<b>FY 2015</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Fund Source (Operating Only)

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Positions

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>	***		***	***	***	***	***
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**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2015) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/14

## Why this fiscal note differs from previous version:

Reflects changes to the bill whereby the retroactive provisions were removed.

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Division: Tax	Date: 03/17/2014 04:00 PM
Approved By: Angela M. Rodell, Commissioner	Date: 03/18/14
Agency: Department of Revenue	

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. CS SB 178 (TRA)

### Analysis

**Bill Language:**

This bill makes significant changes to the vehicle rental tax on passenger vehicles as follows: **(1)** Vehicles rented for 30 days or more would be exempt from the tax (current law states that vehicles rented for more than 90 days are exempt from the tax); **(2)** requires that the initial contract terms be in writing and indicate that the rental is for 30 days or more and exempts contract renewals and extensions of the original 30-day contract provided there is no break in the lease period (current regulation does not allow contract extensions to be combined with the original rental contract); **(3)** changes the definition of a "passenger vehicle" which is subject to the tax to a vehicle that is used primarily to transport passengers; and **(4)** exempts all vehicles with a GVWR greater than 6,500 pounds (current law states that vehicles with a GVWR greater than 8,500 pounds used to transport personal property are exempt from the rental tax).

**Revenues:**

There will be a reduction in vehicle rental tax collected as a result of these changes. It is difficult for DOR to estimate the revenue impact on the state as a result of this legislation as DOR does not have detailed information from vehicle rental contracts which would allow DOR to currently determine how many rentals will meet the new exemption criteria. However, based on limited vehicle rental tax data from audits, DOR estimates that 10% to 20% of total vehicle rental contracts may meet the new criteria and, therefore, vehicle rental revenue is estimated to decrease between \$800,000 and \$1,600,000 each year. The current vehicle rental tax is deposited into a subaccount of the general fund which can be appropriated for tourism marketing.

**Expenditures:**

The department can implement the provisions of this bill with existing resources.

**Regulations:**

Under the provisions of this bill, the department will need to adopt and update regulations to implement the new exemption criteria outlined in the bill. Those regulations could be in effect by December 31, 2014.