



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Angela M. Rodell, Commissioner

333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

April 7, 2014

The Honorable Kevin Meyer, Co-Chair
The Honorable Click Bishop, Member
Senate Finance Committee
State Capitol, Room 532
Juneau, AK 99801

Re: Question on Vehicle Rental Tax

Dear Senators Meyer and Bishop:

The purpose of this letter is to clarify the Department's position and interpretation of the definition of "passenger vehicle" in AS 43.52.099(2) for the purposes of our vehicle rental tax. Specifically, the Department has been asked how it interprets the phrase: "a motor vehicle... that is driven or moved on a highway or public right-of-way in the state" contained in the definition.

For vehicle rental tax purposes, the Department's interpretation of this definition is based on access. If a member of the general public can freely drive on the road system without breaking any laws or having someone stop them and tell them they cannot go any further, they are on a highway or public right-of-way. For example, an individual can rent a vehicle in Anchorage, drive to Deadhorse via the Dalton Highway, and travel many places around Deadhorse and the North Slope in general. However, there are areas of the North Slope that are private or restricted that a member of the general public would not be able to drive to. Vehicle rental tax would apply to that transaction because the individual drove the rented vehicle on different highways and public rights-of-way.

If an Alaska business rents to another Alaska business located in an area of the state that is not accessible by the general public, and all of the vehicles the business rents, regardless of rental period, are never driven on a road that can be accessed by the general public, then under our interpretation of the current statutes, those transactions would not be taxable. However, once that vehicle is driven on a highway or public right-of-way that is open to and accessible by the general public, and the rental period is less than 90 days, it becomes a taxable transaction under the current definition.

I hope that this helps clarify the questions that have recently arisen on this bill. If you have further questions, do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Angela M. Rodell".

Angela Rodell
Commissioner