



March 12, 2015

The Honorable Cathy Giessel
State Capitol, Room 427
Juneau, AK 99801-1182

RE: Senate Bill 66 "An Act Relating to the Passenger and Recreational Vehicle Rental Taxes"

Dear Senator Giessel,

Thank you for the sponsorship of Senate Bill 66. This bill clarifies the intent of legislation originally passed in 2003 regarding vehicle rental taxes, and will serve to remove much uncertainty and greatly improve the business climate for leasing companies and their customers who lease construction and cargo vehicles for commercial and industrial purposes.

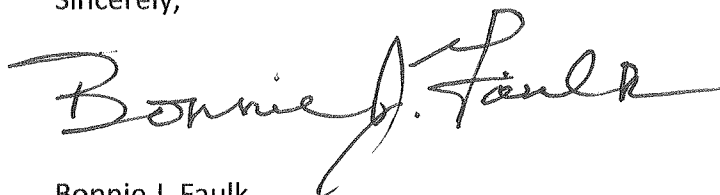
The legislative record for HB 271, the original bill passed by the 23rd Legislature in 2003 and subsequent amendments to the original legislation clearly show that the tax was intended to tax rental car and RV rentals to tourists visiting Alaska in order to compensate the state for wear and tear to its road system and transportation infrastructure. However, within the last year or so the Department of Revenue (DOR) has unilaterally reinterpreted this statute, without the process of public comment, as applying to virtually all rental vehicles, including pickup and flatbed trucks as well as cargo vans leased for commercial and industrial purposes. This new application is contrary to the intent of the original statute and to the operations of Alaska's existing commercial and industrial leasing businesses which have operated under it since its inception in 2003. The DOR's recent actions have cast a cloud of uncertainty over the commercial and industrial equipment leasing industry, and we ask the Legislature to clear this uncertainty with the passage of Senate Bill 66.

Senate Bill 66 helps to define the commercial and industrial use of vehicles for commercial leasing companies, business, construction and other industries. Changing the GVW to 6500 lbs. provides for the inclusion of smaller pick-ups (such as a F150 or ½-ton size), preferable when applicable use will allow for a 2-wheel drive vehicle or a truck that requires less fuel.

The ability to lease construction and cargo vehicles on a short-term basis provides much needed flexibility for customers who must deal with the constraints of the short construction season in Alaska. Without it many commercial and industrial users of leased construction and cargo vehicles will seriously consider bypassing the leasing option and opting for the direct purchase of vehicles to avoid payment of an additional 10 percent vehicle rental tax. Not only will Alaska's industrial and commercial leasing businesses be harmed by loss of revenue, but unfortunately many of these fleet purchases will be consummated outside the state of Alaska, bypassing even the local auto dealers.

This is very important legislation, not just for our vehicle leasing industry but for any business that has a need to lease vehicles for commercial and industrial purposes in Alaska, including the construction, mining and petroleum industries. It is in the best interest of the people of Alaska for the Senate to pass SB 66 in order to clarify the original intent of the vehicle rental tax: namely as a tax targeted primarily to the tourist industry and not to Alaska companies doing business with other Alaska companies involved in the overall effort to improve the state's infrastructure and in the responsible extraction of our natural resources for the benefit of all Alaskans.

Sincerely,

A handwritten signature in black ink that reads "Bonnie J. Faulk". The signature is written in a cursive style with a large, prominent initial "B".

Bonnie J. Faulk
President