

SB 127

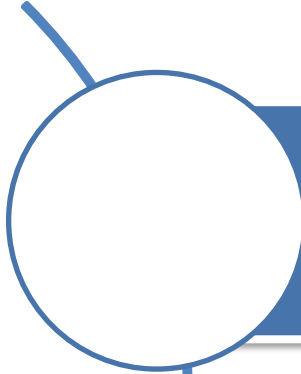
An Act relating to vehicle rental taxes; relating to the issuance of subpoenas related to tax records; and providing for an effective date.

Department of Revenue

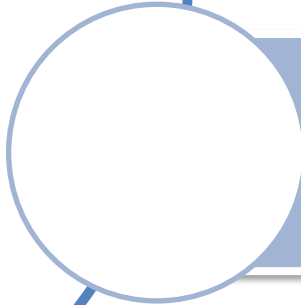
Senate Transportation – April 20, 2023



Introductions



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SB 127 – Objective

- The intent of this legislation is to move the responsibility for collecting and remitting tax from the individual owners to the vehicle rental platform company if the lease or rental was arranged or executed through a platform.
 - The proposed legislation **does not impose a new tax.**
 - The legislation provides for a streamlined process for the Department of Revenue in collecting the peer-to-peer rental tax.
 - **AS 43.52.010:** “There is imposed an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days.”
 - **AS 43.52.050:** taxes “shall be collected and paid to the department by the person who provides the leased or rented vehicle.”

SB 127 – Bottom Line

- The tax burden **already exists** – AS 43.52.010
- This bill compels the vehicle rental platforms to collect and remit the tax on behalf of vehicle owners

SB 127 – Background

- Alaska levies an excise tax on fees and costs charged for the lease or rental of a passenger or recreational vehicle if the lease or rental does not exceed a period of 90 consecutive days.
- The person working for the rental/lease agency that provides the leased or rental vehicle collects the tax from the individual renting or leasing the vehicle. The rental/lease agency in turn remits the tax to the Department of Revenue's Tax Division.
- For passenger vehicles, the rate is 10% of the total fees and costs for renting or leasing. For recreational vehicles, the rate is 3% of the total fees and costs for renting or leasing.
- Vehicle rental/lease agencies file tax returns and remit taxes quarterly.

SB 127 – Legislative History

- 2003 – The Legislature enacted the vehicle rental tax on Aug. 20, 2003. The tax became effective Jan. 1, 2004.
- 2004 – The Legislature exempted the rental of taxicabs by taxicab drivers from the vehicle rental tax.
- 2006 – The Legislature exempted trucks rented by individuals for moving personal property and for vehicles provided to customers by automobile dealers as replacement transportation during warranty, recall, or service contract repairs.
- 2013 – The Legislature excluded motorcycles and motor-driven cycles as defined by AS 28.90.990 from the tax.
- 2020 – The municipality of Anchorage passed ordinance AO No. 2020-55 to establish the duties and responsibilities of a rental vehicle hosting platform; and to establish the rules and responsibilities of rental agencies who use a hosting platform to conduct motor vehicle rental transactions.

SB 127 – Legal Framework

- **AS 43.52.010:** “There is imposed an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days.”
- **AS 43.52.050:** taxes “shall be collected and paid to the department by the person who provides the leased or rented vehicle.”
- **AS 44.23.020(b)(2):** “The attorney general shall...(2) bring, prosecute, and defend all necessary and proper actions in the name of the state for the collection of revenue.”
- **AS 44.25.020(1) & (2):** “The Department of Revenue shall (1) enforce the tax laws of the state; (2) collect, account for, have custody of, invest, and manage all state funds and all revenues of the state [with certain exceptions like the permanent fund].”
- **Dick Fischer Development No. 2 Inc. v. DOA,** superior court case: Neither a commissioner nor any other state official has the authority to deprive the state treasury of public monies unless authorized by law.

SB 127 – Fiscal Impacts

- The Department of Revenue has collected an average of \$10.7 million per year in vehicle rental taxes over the past four years.
- The proposed legislation would capture unreported vehicle rentals that are arranged or executed through a vehicle rental platform and, therefore, would have a positive effect on revenue.
 - The Department of Revenue currently does not have enough data on peer-to-peer rental information in Alaska to provide for an estimative revenue impact.
 - Currently the Department of Revenue has approximately \$470K in delinquent accounts spread across 25 taxpayers.

Thank you

Questions?

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of **ALASKA**

GOVERNOR MIKE DUNLEAVY