

Fiscal Note

State of Alaska
2025 Legislative Session

Bill Version: HB 123
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB123-DOR-TAX-3-7-25
Title: TAXATION: VEHICLE RENTALS, SUBPOENAS
Sponsor: MCCABE
Requester: (H)L&C

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)

	FY2026	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2026 Request	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
OPERATING EXPENDITURES	FY 2026	FY 2026					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None	***		***	***	***	***	***
Total	***	0.0	***	***	***	***	***

Estimated SUPPLEMENTAL (FY2025) cost: 0.0 *(separate supplemental appropriation required)*

Estimated CAPITAL (FY2026) cost: 0.0 *(separate capital appropriation required)*

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - 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? No
If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Division: <u>Tax Division</u>	Date: <u>03/07/2025 04:00 PM</u>
Approved By: <u>Janelle Earls, Administrative Services Director</u>	Date: <u>03/07/25</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2025 LEGISLATIVE SESSION

BILL NO. HB 123

Analysis

Background

Alaska currently imposes an excise tax under AS 43.52 on the lease or rental of passenger and recreational vehicles in the state if the lease or rental of the vehicle does not exceed 90 consecutive days. The rate of the tax for passenger vehicles is 10 percent of the total fees and costs charged for the lease or rental of the passenger vehicle. The rate of the tax for recreational vehicles is three percent of the total fees and costs charged for the lease or rental of the recreational vehicle. The current tax applies broadly to nearly all short-term rentals, including those executed via an online platform. However, because the platforms do not report the transactions to the Department of Revenue, it is difficult to enforce the current tax on the individual vehicle owners.

This bill would move the responsibility for collecting and remitting the tax from the individual owner to the vehicle rental platform company if the lease or rental was arranged or executed through the platform and it would reduce the rate to seven percent for those rentals. The bill would allow for a simple method of collecting the vehicle rental tax directly from peer-to-peer platforms. These companies are arranging rentals which have historically been provided by traditional vehicle rental companies, which because they are the owners of the vehicles have filed and paid the tax.

This bill would also reduce the current tax for passenger vehicles not arranged or executed through a platform from 10 percent to nine percent of the total fees and costs charged. The bill would take effect immediately.

Revenue Impact

The Department of Revenue has collected an average of roughly \$13 million in vehicle rental taxes over the past four years. The revenue from the vehicle rental tax was \$7.9 million in FY2021, \$13.9 million in FY2022, \$15.1 million in FY2023, and \$15.2 million in FY2024. This bill would capture unreported vehicle rentals that are arranged or executed through a vehicle rental platform at a rate of seven of the total fees and costs charged and would reduce the rate for vehicles not arranged or executed through a platform from 10 percent to nine percent.

The Department of Revenue does not have enough data on peer-to-peer vehicle rentals in Alaska to provide an estimated revenue impact. Therefore, the change in tax revenue is indeterminate. However, the estimate of the change in revenue due to the reduction in rate for non-platform rentals from 10 percent to nine percent is shown in the table below:

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Fall 2024 VRT Forecast	\$ 16.0	\$ 16.4	\$ 16.8	\$ 17.2	\$ 17.6	\$ 18.1
Forecast with 9% Passenger Vehicle Tax	\$ 14.44	\$ 14.80	\$ 15.17	\$ 15.55	\$ 15.94	\$ 16.34
Revenue change (in millions)	\$ (1.54)	\$ (1.58)	\$ (1.62)	\$ (1.66)	\$ (1.70)	\$ (1.74)

As stated above, there is not enough data to estimate the revenue impact of taxing vehicle rental platforms directly. However, given the estimated reductions in revenue due to the change from a 10 percent to nine percent rate on non-platform rentals, in order for these tax changes to be revenue neutral, vehicle rental platforms would need to have a market share of 12.5 percent. The percentage of the passenger vehicle rental market the peer-to-peer rental platforms hold in Alaska is unknown, but if their share is greater than 12.5 percent, then the total change in revenue would be positive. If they have a lesser market share then the total change in revenue would be negative.

Implementation Cost

This bill would require the department to make changes to update its Tax Revenue Management System (TRMS) and Revenue Online (ROL) which allows a taxpayer to file, pay, view their status, and communicate with the division online. Resources required to implement the changes would include staff time to update tax forms, TRMS, ROL, and other miscellaneous costs. These costs would be absorbed by the Tax Division using existing resources.