

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: CSHB 271(FIN)  
 (H) Publish Date: 5/7/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Passenger Vehicle Rental Tax BRU Revenue Operations  
 Component Tax Division  
 Sponsor Representative Kott  
 Requester House Finance Committee Component No. 2476

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	55.0	55.0	55.0	55.0	55.0	55.0
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	25.0	12.0	12.0	12.0	12.0	12.0
Supplies	3.0	1.0	1.0	1.0	1.0	1.0
Equipment	8.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>96.5</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>4,000.0</b>	<b>6,000.0</b>	<b>6,000.0</b>	<b>6,000.0</b>	<b>6,000.0</b>	<b>6,000.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	96.5	70.0	70.0	70.0	70.0	70.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>96.5</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>	<b>70.0</b>

Estimate of any current year (FY2003) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation would impose a 10% state tax on the rental or lease of passenger vehicles, and a 3% state tax on the lease or rental of recreational vehicles. The new taxes would take effect July 1, 2003. Commercial vehicles and farm equipment would be exempt, as would emergency and firefighting vehicles.

The definition of recreation vehicles in this legislation is broad, and would include not only the traditional RVs but also campers, camper trailers, and pickup trucks with camper units mounted on the bed.

Vehicles leased for more than 90 consecutive days are exempt from the tax.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
 Division Department of Revenue Date/Time 4/24/03 11:30 AM  
 Approved by: Larry Persily, Deputy Commissioner Date 4/24/2003  
 Agency Department of Revenue

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**SUGGESTED CHANGES**

AS 43.52.010 and AS 43.52.030 refer to a tax on a vehicle “made in this state.” Although we understand the intent that “made in Alaska” refers to the rental or lease agreement, and not the vehicle, we suggest changing the language to remove any possible confusion that a taxpayer might claim. In addition, the “made in Alaska” could be argued to prohibit imposing the state tax on rentals where the reservation is made out of state (such as through a toll-free line or a web site). We would recommend simply deleting the “made in Alaska” reference from these sections.

We also recommend amending AS 43.52.050(b) to clearly require that the tax be separately stated. This is a basic requirement of taxes to facilitate compliance, provide transparency, and establish the tax base vs. the tax itself. This should not cause concern with rental agencies, as most prefer to advertise prices on a pre-tax basis.

We also would recommend language to clearly state that rentals or leases by government employees for official business are exempt from the tax. This should cover federal, state, municipal and school district rentals, whether rented directly to the governmental entity or rented by a government employee on official business. This exemption would avoid a lot of confusion facing rental car providers and minimize complication within and between government agencies.

**OPERATING EXPENDITURES**

The Department of Revenue anticipates additional costs for administering the provisions of this bill. There are more than 100 businesses that rent out cars and RV's across Alaska. We envision that this tax would be paid quarterly, which would mean between 400 and 500 tax returns during the year, of which several might involve questions, audits or additional work, and perhaps enforcement and collection efforts.

The Department expects it will need the equivalent of one full-time employee to handle the accounting and collections, taxpayer service and compliance work associated with this tax. In addition, we would expect to conduct taxpayer outreach and education efforts to help start this new program.

In addition to the outreach and education effort, the Department would need to move quickly to set up this new tax for July 1, 2003, and would use the additional contractual funds requested in Fiscal 2004 to pay for a computer program for tracking payments.

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**REVENUE ESTIMATE**

The Department estimates the combination of a 10% passenger vehicle tax and a 3% RV tax would raise approximately \$6 million a year in additional revenue to the state. The revenue in the first year of the program, Fiscal 2004, is estimated at \$4 million because the state would receive just three quarterly tax payments in the first year, and would miss out on the start of the tourism season in May and June 2003.

For comparison purposes, Anchorage imposes an 8% tax on vehicle rentals, with Cordova at 6% and Yakutat at 4%. Renters at Anchorage airport also pay an 11% fee to cover the rental companies' airport charges.