

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSHB 271(FIN)(efd am)
 (S) Publish Date: 5/20/03

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Passenger Vehicle Rental Tax BRU Revenue Operations
 Component Tax Division
 Sponsor Representative Kott
 Requester Senate 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						
TOTAL OPERATING	96.5	70.0	70.0	70.0	70.0	70.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	1,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
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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)						
TOTAL	96.5	70.0	70.0	70.0	70.0	70.0

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 January 1, 2004. Commercial vehicles and farm equipment would be exempt, as would emergency and firefighting vehicles and all rentals by state, federal and local government employees on official business. Vehicles leased for more than 90 consecutive days also would be exempt from the tax.

The definition of recreation vehicles in this legislation includes traditional RVs plus campers, camper trailers, and pickup trucks with camper units mounted on the bed.

See attached page for the revenue estimate and operating costs.

Prepared by: Larry Persily Phone 465-5469
 Division Department of Revenue Date/Time 5/20/03 9:04 AM
 Approved by: Larry Persily Date 5/20/2003
 Agency Department of Revenue

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OPERATING EXPENDITURES

The Department of Revenue anticipates additional costs for administering this new tax. 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, and we also would use the additional contractual funds requested in Fiscal 2004 to pay for a computer program for tracking payments and taxpayer returns.

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 \$1 million because the state would receive just one quarterly tax payment in the first year — the April 2004 payment for January through March rentals — and that payment would cover the slowest period of rental car business in the state.