

HOUSE FINANCE COMMITTEE
January 21, 2004
2:26 P.M.

TAPE HFC 04 - 9, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:26 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Eric Croft
Representative Hugh Fate
Representative Richard Foster
Representative Mike Hawker
Representative Carl Moses

MEMBERS ABSENT

Representative Reggie Joule
Representative Bill Stoltze

ALSO PRESENT

Sue Stancliff, Staff, Representative Pete Kott; David Teal, Director, Legislative Finance Division

PRESENT VIA TELECONFERENCE

James Brennan, Attorney, Hedland Brennan, Heideman and Cooke, Anchorage; John Lynch, Truck Renting & Leasing Association, Alexandria, Virginia; Michael Bell, Alaska Trucking Association, Anchorage; Janis Hales, Revenue Auditor, Tax Division, Department of Revenue, Anchorage; Chris Fischer, Cab Driver, Kachecab, Homer

SUMMARY

HB 347 An Act exempting taxicabs from the passenger vehicle rental tax; and providing for an effective date.

HB 347 was HEARD and HELD in Committee for further consideration.

HB 375 An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds; making

appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date.

HB 375 was HEARD and HELD in Committee for further consideration.

HB 377 An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date.

HB 377 was HEARD and HELD in Committee for further consideration.

#HB347

HOUSE BILL NO. 347

An Act exempting taxicabs from the passenger vehicle rental tax; and providing for an effective date.

SUE STANCLIFF, STAFF, REPRESENTATIVE PETE KOTT, testified that HB 347 was introduced specifically to exclude a taxicab from the definition of "passenger vehicle" in statute, exempting taxicab rentals from the Vehicle Rental Tax.

Ms. Stancliff noted that last year, HB 271 was passed with the intent to levy excise taxes on the rental of passenger and recreational vehicles usable on highways and vehicular ways. That imposed a substantial and confusing burden on owner-lesers of taxicabs who would be required to collect from the taxicab drivers. That was a technical and unintended application of the Vehicle Rental Tax to commercial taxicab lease transactions.

Co-Chair Harris asked if the taxicabs were mostly privately owned and then leased to a company. Ms. Stancliff explained that the taxicab vehicles are owned by operators, of which, each purchases and maintains the taxicab, secures all the insurance coverage including the liability insurance to the drivers, and also arranges to obtain the rights to operate under one of the taxicab permits currently held in the municipality. She noted that there are testifiers on line to address technical questions.

JAMES BRENNAN, (TESTIFIED VIA TELECONFERENCE), ATTORNEY, HEDLAND BRENNAN, HEIDEMAN AND COOKE, ANCHORAGE, responded to the query made by Co-Chair Harris. In Anchorage, the taxicab owners rent or lease the cabs to the so-called "chauffeurs" or drivers, who are independent business people. The drivers' operate as their own independent businessperson. They are not employees of either the owners or the cab.

The impact of the Vehicle Rental Tax imposed on taxicab drivers would be over and above requirement of paying a tax on the amount that they rent the cab for, ordinarily around \$90 dollars per day shift. They make their living based on making a profit after paying rental and other expenses. He emphasized it is a close margin to operate on and that the tax would be felt exclusively by the taxi cab drivers. They would not be able to pass that tax on to the passengers after the change is made to the regulation.

Mr. Brennan understood that the tax was not intended to affect the local economy. He emphasized that the tax would fall exclusively on the Anchorage taxicab drivers, having a huge and unintended effect.

Representative Croft asked if any of those clients had assessed it or if this would be a risk. Mr. Brennan responded that some of the operators did receive a notice because they operate under a business name. Some of these people came to the law office because of the impending tax. It was apparent that the tax created an unintended situation. Most people do not have a good understanding of how the industry is structured. Big cab companies do not own the taxicabs but rather they tend to be leased out to cab drivers. He reiterated that it was not an intended impact.

Co-Chair Harris asked about the definition of a taxicab and if it would include chauffeurs. Mr. Brennan advised that under an Anchorage ordinance, there is a distinction between a taxicab, a limousine and the catchall group called "vehicles for hire". Taxicabs are a specific group of "on demand" vehicles to move a person from a specific point to another specific point. He did not believe that there are other groups left out. In the limousine industry, the structure is different and there are companies that own their own limousines and hire their drivers as employees. They would not be under this tax as there is no rental fee unless the transaction between the customer and limousine is a rental. The tax is only on the rental of a vehicle. He reiterated that as the law is currently written, it would not apply to them. The reason that it applies to a taxicab is because there is a lease agreement.

Co-Chair Harris questioned if any limousine companies were being charged the tax. Ms. Stancliff responded that the only thing that "governs" that group are the licensing and smoking regulations.

JANIS HALES, (TESTIFIED VIA TELECONFERENCE), REVENUE AUDIT, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE, offered to answer any technical questions the Committee might have.

JOHN LYNCH, (TESTIFIED VIA TELECONFERENCE), PRESIDENT, TRUCK RENTING & LEASING ASSOCIATION, ALEXANDRIA, VIRGINIA, recommended that HB 347 be amended to exclude all trucks that transport property over 10,000-pounds. The rental tax is directed toward rental cars and not trucks that transport property. The tax is intended for out of state tourists and not in State residents. Under the definition of "passenger vehicle" contained in the Alaska Code, it would apply to all vehicles under 26,000-pounds including rental trucks.

It is a significant tax on Alaska residents and businesses as trucks less than 26,000-pounds are generally rented to small businesses and local residents for household moves. Mr. Lynch urged that the Committee amend that language to remove trucks over 10,000-pounds. He offered to work with the Committee on structuring that language.

Co-Chair Harris inquired if the tax would apply to firms that rent equipment. Mr. Lynch responded that it would not and that the Department of Revenue has indicated it would apply to all vehicles under 26,000-pounds including that type of truck.

MICHAEL BELL, (TESTIFIED VIA TELECONFERENCE), DIRECTOR, ALASKA TRUCKING ASSOCIATION, ANCHORAGE, spoke to HB 347. He noted that the definition of a commercial motor vehicle contained in HB 241, indicates that in Alaskan statutes, a motor vehicle is around 26,000 pounds. He asked that the Committee consider adopting the definition of a commercial motor vehicle listed in Alaska Statute (AS) 19.10.399, which includes vehicles in the 26,000-pound range used for commerce.

CHRIS FISCHER, (TESTIFIED VIA TELECONFERENCE), KACHECAB/CAB DRIVERS, HOMER, commented on how difficult the tax will be for the taxicab drivers in Homer, Alaska. He believed that the tax would cause the little cab companies to go out of business. He urged passage of the bill with corrected and amended language.

Representative Croft referenced Page 1, Lines 5-6, and asked if the definition of "passenger vehicle" be changed to "motor vehicle" as defined in AS 28.40.100 and then change the language to what is contained in AS 19.10.399 (1), the definition of commercial motor vehicles that uses a 10,000-pounds rather than 26,000-pounds.

Mr. Lynch responded that it could solve the commercial trucking aspect, however, a consumer rental truck called a "u-haul" would continue to be included.

Representative Croft asked how to solve the u-haul issue. Mr. Lynch offered to provide that language which could address the 10,000-pound weight threshold transporting

property. Representative Croft offered to work with Mr. Lynch to determine language that would adequately address these concerns.

Co-Chair Williams noted that the bill would be HELD in Committee in order to work out the language.

HB 347 was HELD in Committee for further consideration.

#HB375

HOUSE BILL NO. 375

An Act making appropriations for the operating and loan program expenses of state government, for certain programs, and to capitalize funds making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date.

Co-Chair Williams MOVED to ADOPT work draft #23-GH2040\H, Utermohle, 1/20/04, as the version of the legislation before the Committee. There being NO OBJECTION, it was adopted.

Representative Croft inquired the major numerical changes made between the two documents.

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that there are a number of differences. He referenced the Agency Summary indicating the number changes in the bill in the last column, i.e., Department of Health & Social Services indicates a deduction of \$335.0 thousand dollars and the Department of Labor & Workforce Development lists a reduction of \$465.8 thousand dollars. (Copy on File).

Mr. Teal pointed out that both of those reductions resulted from intent language. Discussion followed between Mr. Teal and Representative Croft regarding that language.

Representative Croft questioned the independent living phase out. Mr. Teal replied that there had been a transition and that last year, there was a one-time source of money used with the intention that it would be a one-year hold harmless transition period. In the current budget, the Governor's bill made a fund change to general funds for that component. It was removed because it was intended to be one-time money.

Representative Croft stressed that the Independent Living component was one of the most "heart-warming" and important needs of group testimony brought forward during the budget process. The proposed cut would be significant to that component. Also, cuts to the Community Matching Grant will have tremendous consequences.

Co-Chair Harris noted that these are topics for subcommittee discussions and then they will be addressed by the full House Finance Committee.

HB 375 was HELD in Committee for further consideration.

#HB377

HOUSE BILL NO. 377

An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date.

Co-Chair Williams MOVED to ADOPT work draft #23-GH204H\D, Utermohle, 1/20/04, as the version of the legislation before the Committee. There being NO OBJECTION, it was adopted.

Co-Chair Harris stated that the proposed version of the bill attempts to take all mental health money, placing it into a specific bill.

Representative Croft inquired the changes made from the Governor's bill.

Mr. Teal explained the changes. The Governor's mental health bill used some non-mental health money and the Alaska Housing Finance Corporation (AHFC) dividend. The proposed work draft substitutes general fund mental health dollars for that money and transfers the dividends back to the operating budget. Representative Croft asked if only the fund sources had been switched and nothing had been reduced. Mr. Teal acknowledged that was correct.

Mr. Teal pointed out the "traditional change deleting one project from the mental health bill, knowing that the Senate would be deleting all the other projects"; thus, making everything comparable. Deleted from the proposed version is a \$400 thousand dollar project.

Co-Chair Harris stated that the bill would be HELD in Committee for further consideration.

HB 377 was HELD in Committee.

#

ADJOURNMENT

The meeting was adjourned at 2:55 P.M.