

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

April 19, 2005

1:48 p.m.

MEMBERS PRESENT

Senator Charlie Huggins, Chair
Senator John Cowdery, Vice Chair
Senator Gene Therriault
Senator Albert Kookesh
Senator Hollis French

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 174

"An Act excluding certain trucks from the definition of 'passenger vehicle' for purposes of the passenger vehicle rental tax; and providing for an effective date."

MOVED SB 174 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 174

SHORT TITLE: EXEMPT UHAULS FROM VEHICLE RENTAL TAX

SPONSOR(S): SENATOR(S) HUGGINS

04/14/05	(S)	READ THE FIRST TIME - REFERRALS
04/14/05	(S)	TRA, FIN
04/19/05	(S)	TRA AT 1:45 PM BUTROVICH 205

WITNESS REGISTER

Deborah Grundmann, Legislative Aide
Staff to Chair Huggins
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Introduced SB 174.

John Norris, President
U-Haul of Alaska
4631 Shelburne Place

Anchorage, Alaska 99516-2930

POSITION STATEMENT: Testified in support of SB 174.

Joanna Bales, Program Manager

Vehicle Rental Tax

Department of Revenue

PO Box 110400

Juneau, AK 99811-0400

POSITION STATEMENT: Neutral on SB 174.

ACTION NARRATIVE

CHAIR CHARLIE HUGGINS called the Senate Transportation Standing Committee meeting to order at [1:48:39 PM](#). Present were Senators John Cowdery, Gene Therriault, Hollis French, Albert Kookesh, and Chair Charlie Huggins.

SB 174-EXEMPT UHAULS FROM VEHICLE RENTAL TAX

CHAIR HUGGINS announced SB 174 to be up for consideration.

DEBORAH GRUNDMANN, staff to Senator Huggins, said:

Before you today is SB 174, an act excluding certain trucks from the definition of 'passenger vehicle' for purposes of the Passenger Vehicle Rental Tax and providing for an affective date. Senate Bill 174 was introduced to correct an unintended consequence of legislation passed in 2003.

In 2003 the Alaska Legislature passed HB 271 as a tourism based tax on passenger rental cars and recreational vehicles. The purpose of the tax was to tax visitors using our road system, not local citizens. However, HB 271 has negatively impacted the following: Alaska citizens needing to move, our local independent outlets and the consumer truck rental business overall. Senate Bill 174 will ensure that the tax applies more specifically to the intended target of visitors renting passenger vehicles and recreation vehicles.

Currently the Department of Revenue anticipates that \$7.4 million will be collected from this tax, if U-Hauls are excluded, there will be a deficit of \$275,000 dollars. So this exclusion will have a minimal impact on the taxes that are being collected.

1:50:50 PM

JOHN NORRIS, President of U-Haul Alaska, said:

The passage of HB 271 has affected Alaskan citizens that have needed to move, our local independent outlets and our business overall. Today, 17 percent fewer people are using our services and in the month of March alone there was a 29 percent drop in customers using our services.

Moving is a stressful time for people and the additional tax is often applied to customers who can least afford it, adding even more stress to their moving experience. After HB 271 became law, HB 347 was introduced during the 2004 legislative session to correct the unintended inclusion of taxicabs. HB 347 provided an exemption for taxicabs and was passed and signed into law. SB 174 would provide the same relief for trucks that HB 347 provided to taxicabs.

1:52:40 PM

Ninety-Five percent of our customers who use our services are Alaska residents. The Alaska Trucking Association favors this legislation along with the truck renting and leasing association. As far as I am aware there are no investor groups that oppose this legislation.

Since starting the business in 1992, we have seen an increase in utilization at the rate of about 7 to 14 percent each year. The 17 percent decrease in the utilization of our services was the first decline that we have ever seen. While I cannot attribute this solely to any one item, the communication from our customers is that the 10 percent tax has been a significant hardship for them.

This tax is having a significant impact on how Alaskans move yet it is only a small amount compared to the estimated \$7 million that will be collected from the intended target of SB 271. Additionally, truck rental is done by business that must meet their peak procedural demands and higher transportation costs will almost certainly result in higher consumer

product costs. In either case, Alaskan residents are bearing the burden of the additional 10 percent tax. I support SB 174.

SENATOR COWDERY asked the lowest daily rental that he offers.

SENATOR KOOKESH arrived at [1:55:41 PM](#).

MR. NORRIS responded:

The smallest vehicle that we rent is about \$19.95 and the average mileage rental that we have is about \$55.

SENATOR COWDERY asked if that sum includes tax.

MR. NORRIS responded no.

SENATOR COWDERY asked Mr. Norris whether he would change his rental rates if the bill were to pass.

MR. NORRIS said his rates would remain at their current level.

SENATOR FRENCH asked whether trailers are subject to the tax.

MR. NORRIS responded trailers are not subject to the tax.

SENATOR FRENCH asked the witness if his smallest truck is over 8,500 pounds.

MR. NORRIS responded yes.

SENATOR FRENCH asked if that is the case with his competitor's vehicles.

MR. NORRIS replied all of his competitors are in the same weight category as his.

[1:57:38 PM](#)

CHAIR HUGGINS asked the witness the number of outlets his company has in Alaska.

MR NORRIS replied his company has 49 independent rental agencies and three company-owned rental agencies.

CHAIR HUGGINS asked Mr. Norris whether he talked with any of his competitors about the bill and if so, whether any of them objected to the bill.

MR. NORRIS responded he had not spoken to any of his competitors about the bill.

CHAIR HUGGINS asked Mr. Norris if he believes that any of his competitors have any reason to oppose this bill.

MR. NORRIS said he does not believe any of his competitors have reason to oppose SB 174.

CHAIR HUGGINS asked whether he was surprised at the effect that HB 271 had on his business.

MR. NORRIS replied the affect that HB 271 has had on his business came as a total surprise.

CHAIR HUGGINS asked how he was told that he was supposed to collect the tax.

MR. NORRIS answered that the Department of Revenue contacted his accounting firm.

[1:59:31 PM](#)

SENATOR THERRIAULT asked if standard pickup trucks are taxed.

MR. NORRIS said that standard pickup trucks would still be taxed if this bill were to pass since they weight less than 8,500 pounds, which is the exception limit.

[2:01:02 PM](#)

MS. JOHANNA BALES, program manager, Vehicle Rental Tax, Department of Revenue, responded language of the bill is such that two standards must be met before a rental truck is exempt from taxation. One is the weight requirement of 8,500 pounds and the other is the vehicle must be designed, used or maintained primarily for the transportation of personal property.

[2:02:40 PM](#)

CHAIR HUGGINS asked; 'When HB 271 was put into affect in 2003, did you realize that moving vehicles would be included, or was that a surprise to you as well?'

MS. BALES responded:

It didn't come as much of a surprise. I think that we were more surprised by the taxicab rentals. I do need to point out that the municipality of Anchorage has its own vehicle rental tax that is separate from the state and they specifically exclude the U-Haul type rental vehicles from their rental tax as well.

SENATOR THERRIAULT moved SB 174 from committee with attached fiscal notes and attached recommendations. There being no objections, the motion carried.

There being no further business to come before the committee, Chair Huggins adjourned the meeting at [2:04:26 PM](#).