

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

April 1, 2014

1:03 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Doug Isaacson, Vice Chair
Representative Eric Feige
Representative Lynn Gattis
Representative Bob Lynn

MEMBERS ABSENT

Representative Craig Johnson
Representative Jonathan Kreiss-Tomkins

COMMITTEE CALENDAR

HOUSE BILL NO. 314

"An Act relating to the application of the passenger vehicle rental tax; and providing for an effective date."

- MOVED CSHB 314(TRA) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 314

SHORT TITLE: PASSENGER VEHICLE RENTAL TAX

SPONSOR(S): REPRESENTATIVE(S) THOMPSON

02/19/14	(H)	READ THE FIRST TIME - REFERRALS
02/19/14	(H)	TRA
02/25/14	(H)	TRA AT 1:00 PM BARNES 124
02/25/14	(H)	Heard & Held
02/25/14	(H)	MINUTE(TRA)
04/01/14	(H)	TRA AT 1:00 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE STEVE THOMPSON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as prime sponsor during the discussion of HB 314.

JANE PIERSON, Staff
Representative Steve Thompson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the prime sponsor, Representative Steve Thompson, explained Version C of HB 314.

ACTION NARRATIVE

[1:03:18 PM](#)

CHAIR PEGGY WILSON called the House Transportation Standing Committee meeting to order at 1:03 p.m. Representatives P. Wilson, Isaacson, Feige, and Gattis were present at the call to order. Representative Lynn arrived as the meeting was in progress.

HB 314-PASSENGER VEHICLE RENTAL TAX

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CHAIR P. WILSON announced that the only order of business would be HOUSE BILL NO. 314, "An Act relating to the application of the passenger vehicle rental tax; and providing for an effective date."

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REPRESENTATIVE ISAACSON moved to adopt the proposed committee substitute (CS) for HB 314, labeled 28-LS1479\C, Strasbaugh, 3/27/14, as the working document. [Before the committee was Version C.]

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REPRESENTATIVE STEVE THOMPSON, Alaska State Legislature, stated that in 2003 the legislature passed a bill requiring a passenger vehicle rental tax intended to raise revenue from tourist using rental cars on the state road system. The rental car companies collect the tax from their customers and subsequently submit the rental tax to the state. For the first nine years of the vehicle rental tax, the Department of Revenue (DOR) did not apply the tax to Alaskan companies engaged in the long term leasing of heavy vehicles to other Alaska businesses. In 2010 the DOR began an attempt to collect the vehicle rental tax from Alaskan businesses who may not be involved in the visitor industry and do not rent to tourists. Some companies had long-

term leases, mostly consisting of heavier vehicles that they rented from other Alaska businesses. In order to clarify the intent of the original vehicle rental tax, HB 314 would amend the statute to clarify that the passenger vehicle rental tax does not apply to Alaskan businesses making long term rentals to other Alaska businesses. The proposed committee substitute, (CS) for HB 314, Version C, would reduce the term of the rental tax from 90 days to 28 days as exempt from the tax. This period represents the typical rental time period for many vehicles operated on the North Slope. Additionally, this bill better organizes the statutes by consolidating the term "passenger" and "recreational" into the same section.

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JANE PIERSON, Staff, Representative Steve Thompson, Alaska State Legislature, on behalf of the prime sponsor, explained Version C. She stated that Section 1 is a housekeeping provision that consolidates the two existing sections for passenger and recreational vehicles into one group. Section 2 would amend the 90-day leasing period exemption to 28 days or more since many commercial leases run for 28 days. Additionally, the bill incorporated language from the Department of Revenue's regulations regarding extensions. Thus, the vehicle rental contract would be exempt if the vehicle rental is for 28 days or more, is in a written contract, so long as the rental contract is not terminated prior to the expiration of the 28-day lease or rental period. An extension of the lease is exempt from the vehicle rental tax so long as there is not any break between the initial period and the period of extension, and the extension is agreed upon before the 28-day lease or rental period. This would bring it more in line with the 28-day leases, she said.

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MS. PIERSON stated that proposed Section 3 is a consolidation of the terms "passenger" and "recreational" to better organize the statute. This section clearly states that passenger vehicles are taxed at a rate of 10 percent while recreational vehicles are taxed at the rate of 3 percent. In fact, this provision was in the current statute so this language doesn't represent a change, but simply reorganizes the statute. Proposed Section 4 repeals AS 43.52.030 and AS 43.52.040 because these provisions are no longer needed due to the consolidation. Finally, proposed Section 5 provides for an immediate effective date. Again, the intent of Version C of HB 314 is to clarify which rental vehicles are to be taxed and which are not. The intent

of the tax is that it be limited to passenger rental cars as described in AS 43.52.

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REPRESENTATIVE GATTIS asked for clarification on the 28-day leasing period.

MS. PIERSON explained that in talking to equipment rental companies that rent vehicles in long term leases, that the shortest term spans 28 days. This bill would apply to those leases. A tourist who rents a car typically will not rent it for 28 days, and if so, the tourist would be spending significant funds in Alaska. This describes the logic used and draws "the line in the sand" to exempt long-term leases from the vehicle rental tax.

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REPRESENTATIVE GATTIS asked for further clarification on the 28 days period versus 30 days.

MS. PIERSON indicated that 28 days represents a four-week lease. Additionally, in reviewing other statutes, such as hotel taxes, once the person has established residency for 30 days the room is no longer taxed. This represents the logic used in considering the length of time for vehicle rental tax exemptions. Originally the sponsor considered 30 days but the companies advised the sponsor that the lease terms are typically 28 days.

REPRESENTATIVE GATTIS related her understanding that the leases are for a four week timeframe.

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CHAIR P. WILSON opened public testimony on HB 314. [The committee treated it as not being opened as no one wished to testify.]

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REPRESENTATIVE GATTIS commented that the sponsor cleaned up some areas and did a good job. She said she would like the bill to move from committee; that it is a good bill.

[1:12:30 PM](#)

REPRESENTATIVE ISAACSON moved to report Version C out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, the CSHB 314(TRA) was reported from the House Transportation Standing Committee.

REPRESENTATIVE ISAACSON indicated a fiscal note is forthcoming for Version C.

CHAIR P. WILSON mentioned that there is currently a zero fiscal note but she anticipated a forthcoming fiscal note for Version C.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 1:13 p.m.