

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

February 25, 2014

1:30 p.m.

MEMBERS PRESENT

Senator Dennis Egan, Chair
Senator Fred Dyson, Vice Chair
Senator Anna Fairclough
Senator Click Bishop
Senator Hollis French

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 53

"An Act exempting specified aircraft operators from certain requirements related to emergency rations and safety equipment."

- HEARD & HELD

SENATE BILL NO. 177

"An Act relating to the registration and marking of towers; relating to the duties of the Department of Transportation and Public Facilities; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 178

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 53

SHORT TITLE: AIRCRAFT EMERGENCY RATIONS AND EQUIPMENT

SPONSOR(s): SENATOR(s) OLSON

02/13/13	(S)	READ THE FIRST TIME - REFERRALS
02/13/13	(S)	TRA
02/25/14	(S)	TRA AT 1:30 PM BUTROVICH 205

BILL: SB 177

SHORT TITLE: REGULATION OF TOWERS

SPONSOR(S): SENATOR(S) OLSON

02/18/14 (S) READ THE FIRST TIME - REFERRALS
02/18/14 (S) TRA
02/25/14 (S) TRA AT 1:30 PM BUTROVICH 205

BILL: SB 178

SHORT TITLE: PASSENGER VEHICLE RENTAL TAX

SPONSOR(S): SENATOR(S) BISHOP

02/18/14 (S) READ THE FIRST TIME - REFERRALS
02/18/14 (S) TRA
02/25/14 (S) TRA AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

DAVID SCOTT, staff to Senator Donald Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 53 and SB 177 for the sponsor.

JANE DALE
Alaska Air Carriers Association
Willow, Alaska

POSITION STATEMENT: Supported SB 53 and SB 177.

BOB HAJDUKOVICH, President and CEO
Era Alaska
Fairbanks, Alaska

POSITION STATEMENT: Supported SB 53 and SB 177.

MIKE STEDMAN, co-owner
Alaska Seaplanes
Juneau, Alaska

POSITION STATEMENT: Supported SB 53.

ROBERT DAY
Homer Electric Association (AEA)
Homer, Alaska

POSITION STATEMENT: Thought SB 177 needed tweaking.

MAX MCGRATH, Enterprise Technology Services
Manager for the State of Alaska Telecommunication System
Anchorage, Alaska

POSITION STATEMENT: Available to answer questions on SB 177.

ERIC ERIKSEN, Vice President
Alaska Electric Light and Power (AELP)
Juneau, Alaska

POSITION STATEMENT: Wanted to exclude electrical transmission towers from SB 177.

BRITTANY HUTCHISON, staff to Senator Click Bishop
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented SB 178 for the sponsor.

MATT FONDER, Director
Tax Division
Department of Revenue (DOR)

POSITION STATEMENT: Commented on SB 178.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue (DOR)

POSITION STATEMENT: Explained the fiscal note to SB 178 and reasoning behind the vehicle tax.

RYAN PETERKIN, President
Maytech Alaska
Kenai, Alaska

POSITION STATEMENT: Supported SB 178.

JON COOK, CFO
Airport Equipment Rentals, Inc.
Fairbanks, Alaska

POSITION STATEMENT: Supported SB 178.

ACTION NARRATIVE

[1:30:47 PM](#)

CHAIR DENNIS EGAN called the Senate Transportation Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Fairclough, Dyson, French, and Chair Egan. Senator Bishop joined the committee shortly thereafter.

[1:32:15 PM](#)

SB 53-AIRCRAFT EMERGENCY RATIONS AND EQUIPMENT

CHAIR EGAN announced SB 53 to be up for consideration.

DAVID SCOTT, staff to Senator Donald Olson, sponsor of SB 53, said the aviation industry asked Senator Olson to introduce this bill to update statutes to current industry standards that require more sophisticated safety and locator equipment. Section 1 adds some conforming language relative to section 2 that is new language saying the requirements under (a) in section 1 do not apply to an operator if they are following Federal Aviation Administration (FAA) requirements known in the maritime industry as an emergency position indicating radio beacon (EPIRB) and in the aviation industry as an emergency locating transmitter (ELT).

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SENATOR FAIRCLOUGH asked how the language is being interpreted differently now.

[1:34:40 PM](#)

MR. SCOTT said the language is ambiguous as to whether it applies to an aircraft that did not start its flight in Alaska and will not end its flight in Alaska but travels through Alaskan airspace.

SENATOR FAIRCLOUGH said it seems like they are proposing to not require an airplane to carry lifesaving equipment and asked what kind they carry now.

MR. SCOTT answered if there is ever an incident an ELT would activate and emergency operations would get there very quickly - weather permitting.

SENATOR FAIRCLOUGH said she was thinking about the life safety of passengers on board any particular aircraft and whether it's good to have this equipment on the aircraft and if so, in what quantity. She understood there was a cost of fuel in carrying excess weight and replacement of food that ages.

[1:37:31 PM](#)

JANE DALE, Alaska Air Carriers Association, Willow, Alaska, supported SB 53, saying it updates statutes with current technology and practices.

[1:39:04 PM](#)

BOB HAJDUKOVICH, President and CEO, Era Alaska, Fairbanks, Alaska, supported SB 53. He said there has been a lot of ambiguity in this law for years, but it was never taken out of context until a couple of years ago when the FAA started to interpret the state law in addition its regulations and started

questioning air carriers that were flying over the state's air space as to why they were not in compliance with state law. He explained that state troopers had never enforced the law by inspecting aircraft for survival equipment and that the original intent was to capture non-commercial pilots flying up from the Lower 48 to prepare them for surviving for a week in Alaska if they had to put their plane down somewhere here. As things evolved, the concepts of satellite technology and 406 ELTs that are activated on impact have reduced that worry. Today, the major issue is accessibility to the accident scene.

This issue came up because the FAA was specifically holding ERA accountable for their Dash 8 equipment, which has 37 seats, and requiring them to carry a sleeping bag per person. When asked if Alaska Airlines, China Airways, and anybody else that flies into the Anchorage airport have to be in compliance with the same law they were told yes. So, Era took it all the way to Washington, D.C., and was told that it was between them and the FAA, that carriers still need to be in compliance with their state's law. That's when they started trying to clarify this law.

MR. HAJDUKOVICH said it's still smart for private pilots in small aircraft to carry survival gear and it's also smart for them to have a 406 ELT. If they do have an ELT, waiving other requirements would be a fair tradeoff, because the best thing that has been done for aviation safety in the last 50 years has been being able to immediately locate a downed aircraft.

His only question was possibly defining "real time" in relation to satellite tracking systems in subsection (d). Items (1),(2),(3), and (4) have some redundancy and item (1) could potentially exempt aircraft from carrying survival equipment if there is a void in FAA requirement, so he thought that language could be tightened up.

MR. SCOTT said the sponsor was willing to look at those and tweak language if necessary.

[1:44:27 PM](#)

MIKE STEDMAN, co-owner, Alaska Seaplanes, Juneau, Alaska, supported SB 53. He was also on the Air Carrier Board and said with the advent of automatic dependent surveillance-broadcast (ADS-B), real time tracking of downed aircraft has been greatly enhanced in the last few years.

SENATOR DYSON remembered the requirement to carry a firearm and how that caused some trouble when flying into Canada and asked if that was still a requirement.

MR. SCOTT directed attention to AS 02.35.110(a) that had a list of requirements and said a rifle was not it.

1:46:37 PM

SENATOR FRENCH asked someone to describe what the FAA requires for operations within the state over uninhabited areas, since it goes away if the aircraft is equipped as required by the FAA.

MR. SCOTT answered 14 CFR 121.353 entitled "Emergency Equipment for Operations over Uninhabited Terrain" listed those requirements.

SENATOR FRENCH read: pyrotechnic devices, survival type emergency locator transmitter, and survival kits appropriately equipped for the route to be flown and the number of occupants on the airplane and asked if there was more of a description for the survival kit, because that could be interpreted as having a Cliff Bar for everybody, but no blankets or snow shoes, fire starter, knife, mosquito netting - nothing.

MR. SCOTT said he dug into that but couldn't find out what "appropriately equipped" meant.

SENATOR FRENCH asked if you are equipped as in (d)(1)(2)(3)(4), do you have to have each one of those things to escape the requirements of (a) or just any one of them.

MR. SCOTT said he interpreted them as "or."

SENATOR FRENCH also remarked that there was an "and" on line 20 and that lead to his last question, which is that (4) seems to be a combination of (2) and (3), which seems redundant because it says a real-time satellite tracking system in (2) and a 406 ELT in (3), but then (4) adds "installed and operational" to those two pieces of equipment.

SENATOR BISHOP asked if this bill goes to "135 operators."

MR. STEDMAN answered that the word "commercial carrier" is part 135 and part 121.

SENATOR BISHOP asked if an Alaska Airlines 737 was trying to push back from the gate here in Juneau and either one of those two wasn't operational, it wouldn't leave until they were?

MR. STEDMAN said that was correct, but the 406 ELTs are not required for transport category jets.

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SENATOR FAIRCLOUGH said if they are going to take the time to look at this bill further, they probably need to go back into section 1 and on page 2, line 7, that says a sleeping bag "and" one wool blanket for the smaller planes and maybe change that to "or".

She was also wondering why, if they believe the federal government has set appropriate codes for survival, that they are not tying FAA requirements directly to this one, so that when it changes our statutes are automatically updated. "Survival kit" should be described, because they want to make it easy for a carrier to provide safety to those on the plane and eliminate wool blankets and sleeping bags if they are not necessary.

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CHAIR EGAN, finding no further questions, said SB 53 would be held in committee.

SB 177-REGULATION OF TOWERS

[1:54:38 PM](#)

CHAIR EGAN announced SB 177 to be up for consideration.

[1:54:43 PM](#)

DAVID SCOTT, staff to Senator Donald Olson, sponsor of SB 177, explained that this bill is about aviation safety. He said section 1 relates to registering and marking of communication structures, wind towers, and extreme weather towers (EWT) with the Department of Transportation and Public Facilities (DOTPF) 15 days before installation (now 20 days) if this bill passes.

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Tower owners have to comply with all federal laws and standards related to lighting, painting and visibility of the towers. Enforcement is still a question, but he was looking into that and violators would be punished as provided by AS 12.55, the criminal code.

MR. SCOTT said the sponsor put this forward, because he is an active pilot and feels Alaska needs standards for construction and marking of towers.

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SENATOR DYSON said he was struck by the fact that towers aren't required to have a strobe light, because of all the darkness here.

MR. SCOTT said he would get an answer.

SENATOR DYSON said he thought there already was existing law, maybe federal, about transmission towers in and around airstrips.

MR. SCOTT said that was correct; the FAA has purview if the towers are over 200 ft.

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SENATOR FAIRCLOUGH said Anchorage has a tower ordinance already and asked if other cities already have local ordinances and if we had collaborated with them to know what is going on.

MR. SCOTT replied that he hadn't talked to any municipalities, but he would reach out to them.

SENATOR FAIRCLOUGH echoed Senator Dyson's comments about possibly working with existing FAA requirements. She was concerned about the costs associated with marking and registering having noticed that it would cost \$120,000 to upgrade a wind project that cost \$120,000 to build. They might think about giving people a period of time to change rather than penalizing them if they don't have everything done in one year.

CHAIR EGAN said Juneau now has a prohibition on construction of towers until the city adopts an ordinance that regulates cell tower use and one of the main issues is lighting.

[2:03:09 PM](#)

SENATOR FRENCH said everyone knows what a tower is, but it might need a definition to exclude, for example, buildings over 100 ft. in height.

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ROBERT DAY, Homer Electric Association (HEA), Homer, Alaska, said he thought SB 177 still needed tweaking. In his particular business, he was concerned that it may cause quite a bit of

expense and for utilities throughout Alaska. HEA members had indicated that most of their towers are less than 100 ft. and wouldn't fall under this bill, but the towers that feed Juneau from Snettisham, for instance, would. He said there is also quite a body of regulation from the FAA that requires marking of structures near airport facilities.

He was also concerned that transmission towers traversing remote areas near some small airport or waterway could also fall under this bill. It sounds silly, but their transmission towers carry electricity but not the kind of electricity that is conducive to powering signal lights. So, placing signal lights on each tower would be pretty expensive and any kind of maintenance would more than likely require an outage on that transmission line, which would cost a lot.

MR. DAY said he was more concerned over registering 50 ft. structures and keeping them up to date, because many of their distribution poles and all of their transmission towers would fall under the 50 ft. regulation and that also falls under "make them visible when close to the airport," for which a body of safety rules and regulations already exists.

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He said the requirement for registration and putting that information on a public web page could fall afoul of critical infrastructure Homeland Security rules and that they had been being a "lot more coy" about putting information in the public area about electrical systems and how they are built and interconnected since 9/11, so they would find themselves possibly in a position of obeying one law and breaking another.

For marking of guy wires, Mr. Day explained that people in Alaska often use a steel transmission structure that has guy wires on both sides and that would be a lot of marker balls if they were required to mark all of them from, say, Bradley Lake all the way into Soldotna Substation.

MR. DAY suggested amending language to simply exempt towers that are primarily for the transmission or distribution of electrical power, but he added that putting a communication tower on top of an electrical transmission tower would fall under this legislation.

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JANE DALE, Alaska Air Carriers Association, Willow, Alaska, supported SB 177. She appreciated the comments of the previous

speaker and related that the FAA does have requirements for the public to submit notice of proposed construction when the tower or obstruction is greater than 200 ft. or within 2-4 miles of a public use airport, in general, depending on its length.

She said the Federal Communications Commission (FCC) would be responsible for enforcement on communication towers and statewide and local regulations appear to be the enforcement tool for other obstructions.

MS. DALE said they support this bill, because it would provide some predictability in the air space for carriers and aviators statewide, so that they would be able to visually see obstructions greater than 100 ft., day or night, or could look up obstructions greater than 50 ft. in a registry.

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SENATOR DYSON asked what the process is for structures like this to start showing up on aeronautical charts and how soon it gets done.

MS. DALE responded that not every obstruction is charted, but the FAA could best address that issue. There are towers that are unmarked and unlit within close proximity to an airport, some within the approach of an airport, and often members become aware of that only after they fly into an airport and see the tower.

CHAIR EGAN said he used to own radio stations and they were required to light their towers and to file with the FAA and NOAA the name of the station and the tower height to put on their charts.

SENATOR DYSON said NOAA had made all of their charts available on line and real time for nothing and he was really interested in timeliness for Alaska's aviators. Aside from that, mariners had been using years' old charts.

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SENATOR FAIRCLOUGH asked at what height a small plane travels in Alaska and if they could consider raising the elevation of the flight pattern to not have the infrastructure issues.

SENATOR FRENCH, referring to language on page 2, asked if it was the intent to have four spherical marker balls attached to each outer guy wire.

MR. SCOTT answered four balls per guy wire.

CHAIR EGAN remarked that Juneau's Taku winds would put "a heck of a drag on those guy wires."

[2:16:24 PM](#)

MAX MCGRATH, Enterprise Technology Services, Manager for the State of Alaska Telecommunication System, Anchorage, Alaska, said he was available to answer questions on SB 177.

[2:17:04 PM](#)

ERIC ERIKSEN, Vice President, Alaska Electric Light and Power (AELP), Juneau, Alaska, wanted to exclude electrical transmission towers from SB 177. He acknowledged the intent to protect public safety, but additional unintended consequences may be exposed without this exclusion. Implementing this type of marking on transmission towers would expose those towers and their electrical service to liability issues and endanger their personnel who are maintaining and implementing the devices on the towers that are very remote and at high elevations.

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SENATOR DYSON said he assumed that transmission towers were already operating under strict rules near established airports that addressed the issue of aircraft encountering power lines and asked what they are required to do now.

MR. ERIKSON answered before installing a new structure near an airport the permitting process has a review to determine whether additional navigational aid markings on maps or structure requirements like lighting are needed. The requirements lessen the farther away you get from the airport. For instance, the Snettisham lines went through FAA review since they are on federal property and they would place the necessary requirements on that line.

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SENATOR DYSON observed that every transmission line in Alaska that crosses a river has balls on it.

MR. ERIKSON said the Snettisham line does as well.

SENATOR DYSON asked whose responsibility it was to get those lines on the maps and charts.

MR. ERICKSON said those lines had been in existence for quite a while and he wasn't directly involved in their permitting, but

his experience in permitting similar projects was that he provides the information to the entities that then will put it on the maps and charts.

2:21:53 PM

BOB HAJDUKOVICH, President and CEO, Era Alaska, Fairbanks, Alaska, said this issue came into his world when they started seeing a proliferation of cell towers and wind generation devices. He explained that meteorological towers (MET) are put up in advance of wind farms to measure wind speeds to determine their viability. They can go up very quickly and are very thin with invisible wires. So, there is an MET concern in the rural areas along with the proliferation of cell towers. The FAA does not require towers below 200 ft. tall to be registered and if they are not in the airport environment they are also unregulated.

Era's concern is that the most likely place to put towers of any sort is near runways, especially in rural communities, because that's generally where the power, utilities, maintenance and roads are. Many communities they serve might have one or two roads that go through the entire town and so the most obvious place to put a cell tower or wind generator is on the path towards the runway. Probably most of the accidents that have happened in aviation occur with low level helicopter activities. The average height of carriers going into airports is generally 1500-2000 ft. in the immediate vicinity and goes down on approach to the runway, and that is where the FAA does its job of maintaining the obstruction clearances to make sure operators have an angled glide path.

Generally, he said Era is not as concerned about the approaches to airports as much as they are about the approaches to communities. Private aviation in low weather conditions would tend to follow roads - like from Fairbanks to Anchorage - as opposed to looking out the front window for unmarked towers. So, it's important that the state engage in registration of all the new activity around cell towers and wind generators. They knew a lot of stakeholders would engage in this conversation and the electric folks had brought up some great points.

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SENATOR FAIRCLOUGH said she served on Alaska's Renewable Energy Advisory Board that was permitting 23 projects now and that she would take this information to them and maybe get in front of this issue and then fix the cell tower problem through legislation.

MR. SCOTT said he would reach out to that board.

CHAIR EGAN said SB 177 would be held in committee.

SB 178-PASSENGER VEHICLE RENTAL TAX

[2:27:36 PM](#)

CHAIR EGAN announced SB 178 to be up for consideration.

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BRITTANY HUTCHISON, staff to Senator Click Bishop, Alaska State Legislature, Juneau, Alaska, sponsor of SB 178, presented SB 178. She explained that the passenger vehicle rental tax was passed in 2003 and was intended to raise revenue from tourists using rental cars on the state's road systems. The tax wasn't supposed to affect Alaskans in most cases, but that is not the case. Back in 2004 the bill was amended to exempt taxi cabs from the tax, and it was stated then that it was not the intent of the original bill to negatively impact small businesses, but it does.

She explained that in 2013, the Department of Revenue (DOR) began an attempt to collect the rental vehicle tax from Alaskan businesses that may not even be involved in the tourist industry or rent to tourists. And instead of announcing their new position and applying it prospectively, the department applied the tax retroactively back to 2004. Though it required businesses to pay a 10 percent rental vehicle tax on all leases for the past nine years, those taxes had not been collected from the clients and that could possibly bankrupt some small Alaskan businesses. A list of those businesses was in their packets.

MS. HUTCHISON said that SB 178 amends the rental vehicle tax to make it clear that the tax should not apply to Alaskan businesses that are making long term rentals to other Alaskan businesses. Specifically, section 1 reduces the lease term exemption from 90 to 30 days and section 2 reduces the gross vehicle weight from 8,500 to 6,500 lbs. The second part of section 2 clarifies that this exemption applies to the transportation of any goods whether commercial or personal. Section 4 makes these changes retroactive to 2004.

She said these changes reflect the original intent of the legislature that the vehicle rental tax applies to short term rentals to tourists and not to Alaskan businesses renting to other Alaskan businesses. This bill is needed because the DOR is

trying to collect nine years of back taxes, interest, and penalties from Alaskan businesses that were never intended to be taxed in the first place.

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SENATOR DYSON said he was startled that the tax is retroactive for such a long time and was surprised they could pass a law that incurs such a liability for companies.

SENATOR FRENCH said he thought there was a misunderstanding, but he knew what had happened: they passed a law in 2003 that began taxing rental cars. It's been in place ever since that time and now some companies have found themselves in a tax dispute with the DOR. This would pass an exemption that would reach back that far because of the misunderstanding and dispute. He sponsored an exemption due to the same kind of thing addressed on page 2, lines 18-19, (h) where the tax was falling on a small seasonal group of people and more was being spent on collection than was actually being collected.

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SENATOR FAIRCLOUGH said the fiscal note was quite interesting, because it went forward in time, and she wondered what it would look like in reverse. Would it take 10 people to implement this bill?

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MATT FONDER, Director, Tax Division, Department of Revenue (DOR), said the reason for the high number of employees was that the department would have to try to go back and identify and refund taxes to people who rented cars that may fall within one of the exemptions during the last 10 years.

SENATOR FAIRCLOUGH said she was concerned that the 90 day exemption and trying to find people who rented was creating this pay back issue. People come to Alaska and rent motor homes and the state has been trying to collect from those people who were causing deterioration on its highways. The intent was to leave commercial vehicle rentals out.

MS. HUTCHISON said the intent behind changing 90 days to 30 was because most tourists don't rent for over 30 days and anyone over that would be an Alaskan businesses and, therefore, be exempt.

SENATOR FAIRCLOUGH asked what part of the bill was causing the big fiscal note, an estimated \$1,293,000, in 2015.

MR. FONDER answered that was actually for staff to set up the refund program and identify taxpayers who may have paid the tax that would fall under one of the new exclusions and their refund. The fiscal note also talks about a potential reduction of \$800,000 in revenue to the state each year if this bill were to pass.

SENATOR FAIRCLOUGH said there should be a better way to do this. She asked if DOR had been collecting \$800,000 from commercial rentals that hadn't been challenged until now.

[2:38:12 PM](#)

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue (DOR), explained that the fiscal note represents all of the bill's provisions. It would exempt anything over 30 days (right now it's anything over 90 days) from taxable rentals; another provision exempts any vehicle weighing more than 6,500 lbs. used to transport personal or commercial property.

To prepare this fiscal note, she looked at records from companies the department had audited to get an estimate of what type of activity they had. She estimated no more than \$800,000 each year and applied that going back for 10 years and going forward as lost revenue. They would have to evaluate all the rental contracts from the last 10 years to determine which ones would have been exempt had this language been in effect since 2004 forward. They would work with the about 110 rental car companies that have remitted the taxes to get copies of contracts and send out public notices. Because a lot of renters are from out of state, the department would be required to refund taxes paid if their rental car contracts meet the new exemption criteria.

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SENATOR FAIRCLOUGH said she had a hard time with hiring 10 employees to go back through records to 2004 and she also found it challenging that they have what appears to be a new interpretation at the department. When did the challenges start coming to DOR?

MS. BALES answered it would be up to the sponsor to decide how to handle this, but this is not a new interpretation of statutes that have been on the books since 2004. It had just come to their attention that some companies were conducting vehicle rentals that met the criteria to collect and remit tax that, because the department looks for companies that say "vehicle

rental company" on their business licenses, weren't picked up. Companies that do heavy equipment leasing aren't recognized as having vehicle rentals that met this criterion. She said the department conducts compliance projects to see if any taxpayers need to be educated and need to come back into compliance.

As far as the fiscal note, she explained that those positions would be needed for the retroactivity provision of the bill to make sure that all the consumers who paid the tax to the rental car companies would be refunded, which is what this bill would require. However, without the retroactivity provision they would have a zero fiscal note in terms of needing new people.

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SENATOR FAIRCLOUGH said she looked forward to working with the sponsor to solve this problem. She remembered she had voted in favor of this bill, and her understanding was that it was for folks coming in at the Anchorage International Airport or otherwise and renting a motor home from someone or a vehicle to explore Alaska. It was never the intent of the legislature to pick up commercial rentals or long term leases for equipment that's moving to and from and being used by Alaskans.

CHAIR EGAN agreed, but added that the problem is that there are at least 14 businesses that are by affected by this tax provision but none of them is a car rental agency.

SENATOR BISHOP said the intent of the bill is to get back to the original intent of 2004, which is taxing rental cars and summer tourism and not taxing Alaskan businesses doing mining and oil patch work and operating on unimproved roads with no state support or maintenance.

[2:45:41 PM](#)

RYAN PETERKIN, President, Maytech Alaska, Kenai, Alaska, supported SB 178. He is a fourth generation Alaskan and his business is in Kenai and Prudhoe Bay. They rent industrial equipment, but to satisfy their clientele, pickup trucks became a byproduct of their business. They employ 75 Alaskans with an average salary of \$70,000 per year totaling about \$6 million.

He first learned about the tax on November 6 when he got a call from his Prudhoe Bay operation saying that a criminal investigator and an armed enforcement officer had arrived and said they were in violation and that there would be criminal charges if they didn't comply and to contact Jonathan Page in

the Anchorage office. They got in touch with him the next day and explained their line of business.

MR. PETERKIN said they talked and came to an understanding that personal property meant their safety gear, laptop computers, et cetera. He said they fully intend to comply, but with a 90-day period and if a client extends a 6-month contract for another 6 months, that 6 last months is taxable. Most of their contracts are worked off master service agreements, and oil companies have multiple year contracts. All of their pickup truck rentals and leases are in commercial applications, 90 percent of which are in Prudhoe Bay; the other 10 percent are in the Kenai Peninsula, and 5 percent of those are on the west side of Cook Inlet on dirt roads and gravel. He said the 6,500 GVW would be beneficial, because oil companies went to half ton crew cab pickup trucks that are more cost effective and have less impact to the road.

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Paying the back tax on the pickup trucks would be devastating to his business, if it didn't put them out of business, Mr. Peterkin said. They would have to seek financial aid, for sure. Theirs is a growing business that is trying to respond to clientele, and they just don't have those kinds of reserves. They didn't collect the tax nor did they ever get a notice or any other means of communication except when they were blindsided by a criminal investigator and an enforcement officer that showed up in their Prudhoe Bay facility.

CHAIR EGAN asked if his vehicles were getting larger.

MR. PETERKIN said all their vehicles are half ton to three-quarter ton pickups - some are one ton - all are rented to oil and gas companies with commercial applications; none to a private individual.

SENATOR EGAN asked if the gross vehicle weight had changed.

MR. PETERKIN answered their GVW probably ranges from 7,000 lbs. to 12,000 lbs.

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JON COOK, CFO, Airport Equipment Rentals, Inc., Fairbanks, Alaska, supported SB 178. He said his company is a family owned business employing 125 people with locations in Dead Horse, Fairbanks, Delta, Anchorage, and Kenai. They are the John Deere construction equipment dealer for Alaska and the largest

equipment rental company in Alaska representing a variety of manufacturers. As a customer service they offer rentals to their construction equipment customers who are primarily producers and Alaska contractors on the North Slope. Most of the rentals are for several months and often years in duration. Out of 5,000 rental units 150 are trucks; the rest is heavy equipment and other pieces of non-mobile equipment.

He has familiarity with this tax and its entire legislative history. His company owned the National Car Rental concession at the Fairbanks Airport through May 2013, and many know him as a reformed car dealer (back to 1994). He said the original intent of the tax was meant to tax tourists to help fund road maintenance and tourism marketing. Some of the concerns he has regarding DOR and its retroactive reinterpretation of the statute is that it is contrary to the legislative intent, specifically with regards to long term rentals of pickup trucks between Alaska businesses and primarily on the North Slope.

MR. COOK said their company has and continues to pay the rental tax, because as a national car rental dealership, they had been aware of it. He learned about the department retroactively collecting the tax from his competitors. While he has the utmost respect for Ms. Bales and the department - they are just trying to do their job and protect the best interests of the state - some of their interpretations of the statute are very concerning. If this legislation is not passed and the tax is retroactively collected, several companies will have to declare bankruptcy. He said the truck rental business is a low margin business that they are not interested in, so he wanted to keep these competitors around.

[2:55:11 PM](#)

He wanted to discuss the 90 day exemption as well as the exemption for 8,500 GWV that transport personal property that does not have a definition. Specifically with regard to North Slope rentals, AS 43.52.099(2) defines a passenger vehicle as a motor vehicle that is driven on a highway or public right-of-way, and the North Slope road system is neither; it is a private road system. He was also unclear about why 10 people were needed to refund the tax. He didn't have records that go back 10 years, and he wasn't interested in spending the state's time to try to refund taxes to customers.

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CHAIR EGAN said he was welcome to come back and testify again and mentioned receiving many letters supporting some form of SB 178.

[2:57:07 PM](#)

SENATOR DYSON asked Senator Bishop if the department was still going after these enforcement actions or should the committee take some action telling them to stop until the issue is resolved.

SENATOR BISHOP said he didn't know.

CHAIR EGAN held SB 1`78 in committee.

[2:58:48 PM](#)

CHAIR EGAN adjourned the Senate Transportation Standing Committee meeting at 2:58 p.m.