

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

March 20, 2014

1:33 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. 178

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

- MOVED CSSB 178(TRA) OUT OF COMMITTEE

SENATE BILL NO. 211

"An Act providing for the Department of Transportation and Public Facilities to hold the surface estate of certain state land; relating to the transfer of certain state land and materials; relating to the lease, sale, or disposal by the Department of Transportation and Public Facilities of rights-of-way, property interests, or improvements; relating to the grant of certain easements over submerged state land to the federal government; relating to the conveyance of land for right-of-way purposes from the Alaska Railroad Corporation to the Department of Transportation and Public Facilities; and providing for an effective date."

- BILL HEARING CANCELED

SENATE BILL NO. 94

"An Act vacating a portion of the Copper Center-Valdez right-of-way; and relating to rights-of-way acquired under former 43 U.S.C. 932 that cross land owned by an Alaska Native corporation."

- BILL HEARING CANCELED

SENATE BILL NO. 197

"An Act extending the termination date of the Department of Transportation and Public Facilities' interim project authorization regarding naturally occurring asbestos; and providing for an effective date."

- BILL HEARING CANCELED

CS FOR HOUSE JOINT RESOLUTION NO. 10(FIN)
Proposing amendments to the Constitution of the State of Alaska creating a transportation infrastructure fund.

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

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
02/25/14	(S)	Heard & Held
02/25/14	(S)	MINUTE(TRA)
03/04/14	(S)	TRA AT 1:30 PM BUTROVICH 205
03/04/14	(S)	-- MEETING CANCELED --
03/11/14	(S)	TRA AT 1:30 PM BUTROVICH 205
03/11/14	(S)	Scheduled But Not Heard
03/13/14	(S)	TRA AT 1:30 PM BUTROVICH 205
03/13/14	(S)	Heard & Held
03/13/14	(S)	MINUTE(TRA)
03/18/14	(S)	TRA AT 1:30 PM BUTROVICH 205
03/18/14	(S)	-- MEETING CANCELED --
03/20/14	(S)	TRA AT 1:30 PM BUTROVICH 205

WITNESS REGISTER

BRITTANY HUTCHISON

Staff to Senator Click Bishop

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Explained CSSB 178(TRA) for the sponsor.

MATT FONDER, Director

Tax Division

Alaska Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered fiscal note questions on CSSB 178(TRA).

COMMISSIONER ANGELA RODELL
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Explained how the department wrote the fiscal note.

ACTION NARRATIVE

[1:33:30 PM](#)

CHAIR DENNIS EGAN called the Senate Transportation Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Bishop, Dyson, French, Fairclough, and Chair Egan.

[1:34:14 PM](#)

SENATOR DYSON moved pursuant to Uniform Rule 22(b) go into executive session. There were no objections, and it was so ordered.

[1:34:41 PM](#)

Recessed from 1:34 to 2:34 p.m.

SB 178-PASSENGER VEHICLE RENTAL TAX

[2:34:15 PM](#)

CHAIR EGAN announced SB 178 to be up for consideration. He removed his objection and CSSB 178(), version 28-LS1406\C was before the committee. He invited Brittany Hutchison to explain the changes in version C.

[2:35:40 PM](#)

At ease from 2:35 to 2:36 p.m.

[2:36:50 PM](#)

BRITTANY HUTCHISON, staff to Senator Click Bishop, sponsor of SB 178, said section 1 on page 1, line 4, consolidates existing sections regarding the terms "passenger" and "recreational" for better organization of the statutes. Section 2, page 1, line 10, reduced the term from 90 days to 30 for which a lease or rental is exempt from the tax. Section 3 on page 2, line 6, consolidates the terms "passenger" and recreational" to better

organize that statute, but they are taxed separately; passenger vehicles are taxed at 10 percent and recreational vehicles are taxed at 3 percent.

Section 4, page 2, line 13, amends the term "passenger vehicle" to specify it is for the primary purpose of transporting passengers. Section 4, subsection (f), page 2, line 28, reduces the gross vehicle weight (GVW) from 8,500 to 6,500 lbs. Section 5, page 3, line 7, repeals AS 43.52.030 and .040, since they are no longer needed. She noted that SB 178 also had a Letter of Intent.

[2:38:28 PM](#)

SENATOR FAIRCLOUGH asked if the sponsor had a new fiscal note; she expressed concern about the financial impact on current revenues of renting vehicles over 30 days and under 90.

MS. HUTCHISON said the new fiscal note states there is a possible 10 percent reduction in revenue. Right now the tax brings in roughly \$8.3 million and the reduction is estimated to be \$800 thousand to \$1.6 million.

SENATOR FAIRCLOUGH noted public testimony had to do with vehicles on the North Slope that should be exempt, and asked what that number would be inside of the \$800,000.

SENATOR FRENCH said he thought the committee was interested in exploring, forgiving, or eliminating collection of the tax on trucks that operate on the North Slope that is free of state maintenance and state services.

SENATOR FAIRCLOUGH said the public has said two times they have been unfairly called upon to owe a tax; some said they never collected the tax and that they shouldn't have collected it because they were operating on the North Slope in a commercial capacity versus on Alaska's highways. Their perception of the original intent of the legislation was that it was for tourists but that some Alaskans would be affected by it. But the folks who testified were small equipment rental companies with some trucks that are lighter than the weight load that is in statute.

MS. HUTCHISON said the intent of reducing the weight from 8,500 lbs. to 6,500 is to get back to the original intent of the legislation - that only those trucks that are for passengers, not equipment, would be taxed.

[2:44:37 PM](#)

SENATOR BISHOP asked how much of the estimated \$800 thousand to \$1.6 million a year can be identified as coming out of the North Slope rental.

SENATOR FAIRCLOUGH asked if the fiscal note is prospective or shows the state losing actual revenue.

2:45:55 PM

MATT FONDER, Director, Tax Division, Alaska Department of Revenue (DOR), Anchorage, Alaska, said the fiscal note is an estimate for future revenues, so future rental taxes would be decreasing.

2:47:19 PM

ANGELA RODELL, Commissioner, Department of Revenue (DOR), Anchorage, Alaska, explained that they attempted to write a fiscal note based on the contracts as they have seen them. The difficulty is that they don't distinguish those contracts and don't have the information by region. The rental companies are submitting their vehicle rental tax through their headquarters, so they don't distinguish the money they might have collected in Bethel or Nome versus Anchorage and Juneau.

One of the current version is that the reduction to 6,500 lbs. will exclude the Suburbans and large Jeep vehicles that Avis and Hertz routinely rent in Anchorage. So, they are trying to determine by size of vehicle more so than the region from which they are being rented.

SENATOR FAIRCLOUGH commented that their estimate was based on past experiences, but she was trying to project an estimate into future, so it's a little bit of both.

COMMISSIONER RODELL answered that is right; they are making their best guess based on what they know.

SENATOR FRENCH said it would be tricky to pull this off and to cut out vehicles that had not touched a state maintained road. Pt. Thomson is a perfect example of a truck that will never touch a state maintained road; there is no road; it is an ice road and the trucks will stay there. Kuparuk is another example where the road is 30 miles from the Haul Road, so the chances are those trucks will never touch a state road. But in Dead Horse, trucks leased to Great Bear - all the work they are doing is on the Haul Road and plenty of Dead Horse trucks drive to Fairbanks and come back. This is a good idea that may be hard to pull off.

SENATOR DYSON asked the basis for deciding on 6,500 lb. GVW.

[2:50:57 PM](#)

SENATOR BISHOP said development of the North Slope had started with using gasoline driven vehicles and had evolved to using diesel, and now industry is going back to gas vehicles. Pickup trucks have grown and a half-ton pickup is heavier and there are more crew cab, half-ton, 6,500 lbs. trucks.

SENATOR DYSON asked if he intended to tax Suburbans as passenger vehicles.

SENATOR BISHOP said he didn't know about the weight of a full-sized Suburban, but they would fall in line with 6,500 lbs.

[2:53:17 PM](#)

SENATOR DYSON said that is what he thought, but the Commissioner said it wouldn't.

[2:53:40 PM](#)

COMMISSIONER RODELL said she wanted to get the definition of "transporting passengers" on the record, because many times she is by herself and rents a vehicle and might be hauling furniture. She wanted to understand their intent, because they would have to write regulations if this bill moves forward as written. She was specifically looking at page 2, line 16.

SENATOR DYSON suggested using "transport people."

[2:55:40 PM](#)

COMMISSIONER RODELL said the challenge is that this tax will be passed on to the renter and they will be looking to the vehicle rental company to consolidate and remit this tax on behalf of the state, so they will want the companies to certify that these cars were used for the purposes they outline, and enforcement becomes a challenge in some cases.

SENATOR DYSON moved to report CSSB 178(), version 28-LS1406\C, from committee to the next committee of referral with attached fiscal notes and individual recommendations. There were no objections and CSSB 178(TRA) moved from the Senate Transportation Standing Committee.

[2:57:58 PM](#)

At ease from 2:57 to 2:59 p.m.

[2:59:52 PM](#)

Finding no further business to come before the committee, Chair Egan adjourned the Senate Transportation Standing Committee at 3:00 p.m.