

HOUSE FINANCE COMMITTEE  
February 27, 2020  
2:08 p.m.

2:08:05 PM

CALL TO ORDER

Co-Chair Johnston called the House Finance Committee meeting to order at 2:08 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Jennifer Johnston, Co-Chair  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Andy Josephson  
Representative Gary Knopp  
Representative Bart LeBon  
Representative Kelly Merrick  
Representative Colleen Sullivan-Leonard  
Representative Cathy Tilton  
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Representative Chuck Kopp, Bill Sponsor; Ken Truitt, Staff,  
Representative Chuck Kopp; Tom Wescott, President, Alaska  
Professional Firefighters; Erin Shine, Staff,  
Representative Jennifer Johnston; Elise Sorum-Birk, Staff,  
Representative Andy Josephson; Ashley Carrick, Staff,  
Representative Adam Wool.

SUMMARY

HB 30 WORKERS' COMP: DEATH; PERM PARTIAL IMPAIR

HB 30 was HEARD and HELD in committee for further consideration.

HB 79 PEACE OFFICER/FIREFIGHTER RETIRE BENEFITS

HB 79 was HEARD and HELD in committee for further consideration.

HB 102 RENTAL VEHICLE BY PRIVATE OWNER

HB 102 was HEARD and HELD in committee for further consideration.

HB 205 APPROP: OPERATING BUDGET/LOANS/FUNDS

HB 205 was SCHEDULED but not HEARD.

HB 206 APPROP: MENTAL HEALTH BUDGET

HB 206 was SCHEDULED but not HEARD.

Co-Chair Johnston reviewed the meeting agenda.

#hb79

HOUSE BILL NO. 79

"An Act relating to participation of certain peace officers and firefighters in the defined benefit and defined contribution plans of the Public Employees' Retirement System of Alaska; relating to eligibility of peace officers and firefighters for medical, disability, and death benefits; relating to liability of the Public Employees' Retirement System of Alaska; and providing for an effective date."

2:09:27 PM

Co-Chair Foster MOVED to ADOPT proposed committee substitute for HB 79, Work Draft 31-LS0462\0 (Wayne, 02/27/20) (copy on file).

Co-Chair Johnston OBJECTED for discussion.

2:10:09 PM

REPRESENTATIVE CHUCK KOPP, BILL SPONSOR, reviewed the bill. He indicated that HB 79 created a new tier retirement system containing unique features and offered financial sustainability. He characterized the proposed retirement plan designed for peace officers and firefighters as a hybrid between a defined benefit and the current Tier 4. He delineated that the bill contained levers or adjustments

designed to keep the plan solvent that fell into 3 categories: cost saving features, plan asset enhancement adjustments, and plan benefit reductions. He explained that the cost saving features did not provide retirement medical insurance. The medical benefit was the equivalent to current Tier 4 benefits offering a Health Reimbursement Arrangement (HRA) acting as bridge to Medicare. The fixed age of retirement was 55 years with 20 years of service. Retirement prior to the age of 55 with 20 years of service was prohibited. The retirement benefits were calculated at the average of the top earning 5 consecutive years of employment rather than the highest 3. The plan did not provide a cost of living adjustment. He reviewed the plan asset enhancement adjustments. He reported that the employee contribution rate could be increased based on actuarial calculations to maintain solvency. The employer contribution was 22 percent with 12 percent going to the plan and 10 percent for the current unfunded liability. He elucidated that the planned benefit reduction could withhold the post retirement enhancement adjustment if the plan's funding was less than 90 percent. He restated that the three features kept the plan financially sustainable.

[2:14:21 PM](#)

KEN TRUITT, STAFF, REPRESENTATIVE CHUCK KOPP, reviewed the explanation of changes for the committee substitute. There were no substantive changes to the bill. The representative had met with the Division of Retirement and Benefits during the interim to review the bill. The changes were merely slight language changes making the bill clearer. The sponsor provided a PowerPoint presentation titled "HB 79 Explanation of Changes version U To version O." He began with slide 2 portraying page 3 of the bill, lines 6 through 9, which dealt with the Alaska Retirement Management Board (ARMB) as follows:

(C) an appropriate monthly employer contribution under AS 39.35.255(i); and (D) appropriate adjustments, if any, under (b) (5) and (b) (6)

Mr. Truitt indicated that the change provided instructions for how the ARMB performed its evaluation of the plan, specifically tracking the plans features as proposed in the legislation. He moved to slide 3 that highlighted Section 2 of the bill [edited]:

Sec. 2. AS 37.10.220(b) is amended to read:

(b) The board may

(5) adjust the amount of the increase in benefits payable to a peace officer or firefighter who first becomes a member after June 30, 2006, as provided under AS 39.35.475;

(6) adjust employee contribution rates under AS 39.35.160(e).

Mr. Truitt pointed to AS 37.10.220(b) which included more of the ARMB's duties and functions which corresponded with the board's new function outlined on lines 6 through 9. The administration was backing away from the term "Tier." He referred to Section 2, lines 23 and 24 and read the language, "to a peace officer or firefighter who first becomes a member after June 30, 2006." He noted that the word tier was not included in the language in the bill rather, the language previously cited was used to refer to the new tier 5.

[2:18:35 PM](#)

Mr. Truitt continued to the following change on page 10, Section 15 of the bill shown on Slide 4. He delineated that the language differed from the prior version only in the manner the provision proposed to ensure that the new tier contributed to the past service liability of the Public Employees Retirement System (PERS) and maintained the employee contribution at 22 percent. He commented that Section 15 amended AS 39.35.255(a):

Sec. 15. AS 39.35.255(a) is amended to read:

(a) Except as required by (i) of this section, an [EACH] employer shall contribute to the system every payroll period an amount calculated by applying a rate of 22 percent of the greater of the total of all base salaries..

Mr. Truitt moved to Section 18 which proposed a new subsection to AS 39.35.255:

Sec. 18. AS 39.35.255 is amended by adding new subsections to read:

(i) An employer that employs a peace officer or firefighter who first participates in the plan after June 30, 2006, shall contribute to the system every payroll period an amount equal to the sum of

(1) a per capita amount that is calculated by applying a rate, determined by the board, of not less than 12 percent of the total monthly compensation the employer pays to all peace officers and firefighters who first became members of the plan after June 30, 2006; and

(2) an amount, determined by the board, that is equal to the difference between the per capita amount determined under (1) of this subsection and the amount calculated under (a) of this section.

Mr. Truitt reported that the new subsection (i) sets the employer contribution for the employee's retirement benefit at 12 percent under paragraph (1). Paragraph (2) specified that the remainder was applied to the unfunded liability of the existing PERS plan. The 12 percent contribution rate was greater than the contribution rate found in Tier 4. The language was clearer in the current version of the bill, but the concept remained the same as the original version. He discussed the final change in Section 25, page 13 of the bill depicted on Slide 5:

Sec. 25. AS 39.35.475 is amended by adding new subsections to read:

(g) A person who receives a benefit under AS 39.35.370(1) is eligible to receive an increase in benefits under this section.

(h) If the board determines that the portion of the unfunded liability of the plan that is attributable to all peace officers and firefighters who first become members of the plan after June 30, 2006, is greater than 10 percent, the board may reduce the amount of the increase under (b) of this section that is payable to a peace officer or firefighter who first becomes a member after June 30, 2006. At any time, the board may terminate a reduction made under this subsection.

Mr. Truitt reported that the administration had flagged the section that pertained to the post-retirement pension adjustment (PRPA) benefit reduction. He explained that the section had intended to allow the ARM board to reduce the plan's benefit when necessary to keep the new tier financially viable. However, the administration discovered that the prior version of the bill referred to the PERS unfunded liability as a whole and the HB 79 plan benefit would always be reduced until the unfunded liability was paid. The change included the following specific language, "the plan that is attributable to all peace officers and firefighters who first become..." as a corrective measure.

Co-Chair Foster WITHDREW his OBJECTION.

Representative Carpenter OBJECTED.

Representative Carpenter spoke to his objection. He asked for clarification regarding the word "attributable." Mr. Truitt responded that if the language in the CS was not included the post-retirement pension adjustment benefit would always be reduced and the members would never receive it. He clarified that the new language allowed for the benefit if the plan was found to be solvent and funded at 90 percent or more.

[2:25:10 PM](#)

Representative Carpenter surmised that there was a certain level of risk with the proposed plan and if it was not solvent the benefit was not distributed. He asked whether he was correct. Mr. Truitt answered in the affirmative. He added that all the features in the bill were included to plan for uncertainty in the future. Representative Carpenter thought it was worrying that a peace officer would participate in a retirement plan with a risk of not receiving benefits in the future.

Representative Kopp remarked that Representative Carpenter's statement was oversimplified. He explained that there was a lack of certainty in a future benefit because the plan's levers kept it reactive to market conditions. He recounted that the committee heard testimony in the prior session from an actuary in the state of Washington in charge of a similar plan. He reported that the plan was consistently funded at over 100 percent as well as a similar plan in Colorado. The model was proven to perform

reliably in other states. The proposed plan will be tracked separately from other PERS participants to determine the funding level of the plan. The new language in the bill was necessary to target the plan's members apart from the larger PERS group to allow calculation of the post-retirement pension adjustment. He reminded the committee that the adjustment was eliminated when the plan was funded under 90 percent and that maintaining a funding level of 90 percent was the gold standard for retirement plans. Representative Carpenter understood but was uncertain a peace officer or firefighter would find comfort in the plan.

[2:29:13 PM](#)

Representative Josephson inquired whether only the PRPA could be suspended and not the bulk of the pension benefit. Representative Kopp responded in the affirmative. Representative Josephson surmised that the tier 5 participant would have 90 percent confidence in their retirement benefit amount. Representative Kopp answered in the affirmative. He voiced that there was a "high degree of confidence in the overall plan" but the lever to suspend the PRPA benefit was available to the actuary. He reminded the committee of Deven Mitchell's [Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue] prior testimony regarding Tier 4 models showing that within 10 years Tier 4 was only performing slightly better than social security alone. He offered that while the HB 79 plan was very conservative, there was greater surety for peace officers and firefighters than Tier 4. Representative Josephson wondered about the difference between a Cost of Living Adjustment (COLA) and a PRPA.

[2:31:29 PM](#)

TOM WESCOTT, PRESIDENT, ALASKA PROFESSIONAL FIREFIGHTERS, responded that a COLA was awarded under the legacy Defined Benefit plans (DB). He furthered that in other states the COLA was an inflation proofing adjustment, but in Alaska it was awarded for remaining in the state. The COLA was eliminated in HB 79. Representative Josephson deduced that the lack of a COLA disincentivized elderly retirees to remain in the state. Mr. Wescott agreed that the COLA benefit had been stripped out. He suggested that the "expensive nature" of living in Alaska should be compensated for in employees pay throughout their career.

2:33:08 PM

Representative LeBon asked about the 5 year average the retirement benefit was built upon. He wondered whether the 5 year average included annual overtime pay. Representative Kopp replied in the affirmative.

Representative Carpenter WITHDREW his OBJECTION.

There being NO OBJECTION, it was so ordered. The proposed CS was ADOPTED.

Co-Chair Johnston asked for a brief introduction to the bill.

Representative Kopp indicated that the bill was in response to recruitment and retention issues related to peace officers and fire fighters. He detailed that only the older experienced employees in DB plans and younger, less experienced new recruits were retained. The middle class of managers, sergeants, lieutenants, and battalion chiefs were leaving the state for defined benefits. Many positions had been left open because of a lack of interest due to a lack of surety in benefits. The scenario resulted in proposing a very conservative hybrid plan. The idea behind HB 79 was to retain employees and address unmet needs. The medical cost savings feature was a "very significant" part of the plan. The feature would allow a person to purchase the best plan possible after retirement until Medicare. He acknowledged that the fixed age of retirement at 55 was an unpopular part of the plan. He shared that he retired from policing at the age of 44 and felt it was a more appropriate age considering the physical demands of the job. However, the older retirement age was a necessary feature of the plan. He listed the remaining cost saving features: high 5 year-average retirement income calculation, lack of a COLA, employee contribution rate increase option, and suspended PRPA. He noted the public safety community's support for the bill despite its limitations when compared to the current plan.

2:37:25 PM

Representative Sullivan-Leonard asked whether an actuarial fiscal analysis would be provided. Representative Kopp reported that he had been working with the administration

to obtain the actuarial analysis. He thought that the information would be forthcoming shortly.

Vice-Chair Ortiz asked if it was common to begin receiving retirement benefits at age 55 in other states. Representative Kopp indicated that in the states with similar plans age 55 was a common retirement age. A "couple" states lowered the age to 51. He added that in most states with DB plans retirement was based on 20 to 25 years of service. However, they were considered high liability plans. The delayed retirement helped make the hybrid plan affordable.

Vice-Chair Ortiz asked whether adopting the plan would significantly help accomplish the goal of retention. He believed that if the plan "did the job" of retaining enough employees, other savings would be realized in areas like recruitment. Mr. Wescott replied in the affirmative. He accentuated that the plan would absolutely assist with recruitment and retention. He noted that one of the characteristics of a DB plan was that the employee was required to invest time, which was a deterrent to leaving the position as the years built up. He performed some rough estimates and determined that the state saved \$4 million per year by retaining one percent of the public safety workforce at \$120 thousand per employee in training costs. He ascertained that completely solving the problem was not required to pay for the new plan.

Representative Wool asked Representative Kopp to review what was available to help the retiree fill the medical gap; the period between 55 and the eligibility age for Medicare. He asked whether there was an associated plan. Representative Kopp replied that the health reimbursement arrangement was a cash pool that built up through contributions and was available for any market based plan the employee chose as a bridge to Medicare. Some agencies had affiliations with certain plan participants. He deferred further answer to Mr. Westcott.

Mr. Westcott agreed that the gap was significant and "tough" to deal with. He commented that it could be addressed in the future. He expounded that when medical benefits were attached to a pension plan it added an "unknown" cost that historically grew quickly. He reported that he had analyzed other pension plans and discovered

that the medical benefits were typically problematic because they grew rapidly adding significant costs.

[2:43:56 PM](#)

Representative Wool wondered what happened to an employee's contributions if they had to leave the state prior to retirement. Representative Kopp responded that once a participant met the vestment period, an individual could withdraw the benefit once they reached retirement age.

Representative LeBon had heard that one problematic reason for the liability in the Teachers' Retirement System (TRS) and PERS was due to employees accepting positions in remote locations or working extra overtime during their last three years to build up the retirement benefit. He wondered whether the practices affected the liability the state was currently paying. Representative Kopp reported that most of the state's public safety employees worked in municipalities and were not entitled to a geographic differential. He stated that few state troopers chose to work remotely for a period of time, preferring life on the road system. He did not believe that the practice affected the current liability issues. He elucidated that the state received poor actuarial advice, which caused the state to underpay over many years. In fact, many municipalities did not pay an employer contribution based on erroneous actuarial advice.

[2:46:58 PM](#)

Representative LeBon assumed that a trooper working in a remote area receiving differential pay would likely leave the area upon retirement. He wondered why the retirement benefit was built upon the location differential and if eliminating overtime and location differential would help protect the plan. Mr. Westcott replied that the practice Representative LeBon described was known as "spiking." He noted that the highest five years was identified in the Washington state plan as a best practice that prevented spiking and was more representative of a career. He indicated that a state trooper had to work 50 percent of their career in the remote location to receive a location differential. Representative LeBon was glad to hear the issue was addressed in the bill. He reported knowing state workers that moved to a remote location to get their 3 highest years.

[2:49:36 PM](#)

Representative Carpenter voiced that just the fact that spiking was an established term meant the issue needed combating. He suggested inserting language that prevented spiking rather than using the 5 year average. He felt that a prohibition in statute was a better solution. Representative Kopp replied that when a person earned more, they also contributed more to the plan. He spoke about peace officers' aversion to forced overtime and experiencing burnt-out. He indicated that municipal police departments forced overtime due to staff shortages and burn-out was affecting officers. He acknowledged that working extra overtime at the end of a career to enhance retirement happened, but it was not currently the problem. He identified the lack of recruitment, forced overtime, and burnout as the problem. He assured that by spreading out the retirement average over 5 years a person would burnout making spiking almost impossible. He was unsure how to nuance the bill to prohibit spiking.

Co-Chair Johnston indicated the committee would set the bill aside.

HB 79 was HEARD and HELD in committee for further consideration.

#hb30

HOUSE BILL NO. 30

"An Act relating to the exclusiveness of liability of an employer in the case of death; relating to the payment of workers' compensation benefits in the case of permanent partial impairment; relating to notice of workers' compensation death benefits; relating to the payment of workers' compensation death benefits payable to a child of an employee where there is no surviving spouse; relating to the payment of workers' compensation death benefits for an employee without a surviving spouse or child; and providing for an effective date."

[2:52:54 PM](#)

Co-Chair Foster MOVED to ADOPT proposed committee substitute for HB 30, Work Draft 31-LS0280\R (Marx, 01-31-20).

Co-Chair Johnston OBJECTED for discussion.

[2:53:43 PM](#)

ERIN SHINE, STAFF, REPRESENTATIVE JENNIFER JOHNSTON, reported that she had worked with Representative Josephson's staff to produce the version of the draft Committee Substitute (CS). She reviewed the changes in the CS. She reported that on page 1, lines 1 through 5 the title was changed to reflect the changes in the CS. On page 1, line 7, Section 1, the prior Section 1 was removed that included the short title of the bill. She explained that new Section 1 included all new language and added a requirement for notification of workers at time of hire. The notification described the compensation generally available and specifically required that employees be informed about compensation available in the case of death for workers who are unmarried and lacked dependents. Section 3 included 2 edits of conforming language corresponding to changes in other sections in the bill. She noted that new Section 4 eliminated AS 23.30.215 (a) and created a new subsection (j) on line 9 that contained the following conforming language:

... continues until the child reaches the 23 years of age unless extended...

Ms. Shine read the prior language as follows:

... shall terminate five years after the person is no longer considered a child...

Ms. Shine concluded that the effective date was changed from January 1, 2020 to January 1, 2021.

Co-Chair Johnston WITHDREW her OBJECTION. There being NO OBJECTION, it was so ordered.

[2:56:18 PM](#)

ELISE SORUM-BIRK, STAFF, REPRESENTATIVE ANDY JOSEPHSON, addressed the current version of the bill. She explained that the bill updated the permanent partial impairment rates and the language had not changed in the CS. The rates had not been adjusted since 2000. The state was ranked as one of the lowest in the country regarding permanent partial impairment rates. She pointed to page 2, line 15 of

the CS and noted that the impairment rate rose from \$177 thousand to \$255 thousand, which was the national average rate. She reported that new Section 1 required notification of employees regarding death benefits. She indicated that the original bill added a death benefit for single workers and recalled that the issue was discussed in committee in the prior session. The provision was withdrawn from the CS due to "philosophical" issues among some committee members. She relayed that Representative Josephson felt that it was imperative that employees were made aware of the disparities between the amount a single childless worker would receive in death benefits versus a married worker with dependents. She cited an additional provision in Section 3 regarding death benefits, which stated that a personal representative of a deceased employee would be notified regarding available benefits. She moved to Section 4 and related that the provision pertained to orphans who were parentless. She recounted that an issue regarding the definition of "child" arose in the prior session. The current version of the bill allowed for benefits until the age of 23. Therefore, an orphaned child would continue to receive death benefits until 23 years of age.

[3:00:21 PM](#)

Representative Knopp inquired whether the orphaned child's age limit was specified in the prior legislation. Ms. Sorum-Burke replied that a specific age was not provided. However, the provision stated that if a person was attending college full-time, they were still considered a child. She remarked that the language created a "gray area" that the sponsor was not comfortable with. Representative Knopp clarified that the change meant the benefits ceased at the age of 23 regardless of what the individual was doing. Ms. Sorum-Burke articulated that the reason for the age 23 was that an individual might still be dependent on their family. She provided an example of a young person in the military whose parents died and would not receive a benefit. Representative Knopp wondered what the allowable extension under AS 23.30.395(8) was. Ms. Sorum-Burke responded that it applied to children with intellectual or physical disabilities considered a dependent.

Representative Carpenter asked for clarification on Section 1. He ascertained that the employer must notify the employee of the death benefits available for single and married employees. He asked if he was correct. Ms. Sorum-

Burke responded that his assessment was generally accurate. She delineated that an equal protection issue was discovered while drafting the legislation. Therefore, all employees regardless of their marital status had to receive notification concerning single and childless employees' benefits. Representative Carpenter was trying to understand the reason for the notification.

[3:03:39 PM](#)

Representative Josephson provided the example of a 19 year old man working in Prudhoe Bay without a wife and family who died on the job. He indicated that under current law nothing was available to the worker, even if his death was due to gross negligence on the employer's part. The family had no recourse; they could not sue the employer nor could they collect workers' compensation. He believed that notification would provide the worker the insight to purchase life insurance. He added that the intent was to provide notice to the workers that "they were on their own."

Co-Chair Johnston would be setting the bill aside.

HB 30 was HEARD and HELD in committee for further consideration.

#hb102

HOUSE BILL NO. 102

"An Act relating to rental vehicles; relating to vehicle rental networks; relating to liability for vehicle rental taxes; and providing for an effective date."

[3:05:23 PM](#)

REPRESENTATIVE ADAM WOOL, BILL SPONSOR, provided a brief statement about the bill. He read the sponsor statement:

The ways that Alaskans procure transportation services have changed over time. In the past, getting off a commercial flight and heading to the nearest rental car agency was common practice. Now, consumers are turning increasingly to ridesharing, carpooling, and rental vehicle network options to get around. Vehicle rental networks are rental car businesses that arrange

or execute personal passenger vehicle rentals through a network of individual private vehicle owners and are becoming a common alternative to traditional rental car options.

HB 102 adds a definition for the new service of providing private vehicle rental programs, including these services into existing statutes that regulate car rental providers to reflect changes in how people secure transport in Alaska. It also extends the same laws and regulations which apply to rental car companies to private vehicle rental networks, including the payment of the State's Vehicle Rental Tax. Therefore, HB 102 brings equity to the rental industry for motor vehicles and will generate additional income for the State's general fund as the private vehicle rental network industry continues to grow and diversify in the Alaskan economy.

Please join me in supporting House Bill 102 to bring our statutes up to date and to incorporate this new industry into the existing language governing vehicle rentals in Alaska.

Representative Wool compared a peer-to-peer auto rental to Airbnb. He detailed that if an individual wanted to rent out their car, they listed it on a platform such as "Turo" and paid a fee to Turo. An interested party could rent the car through the platform. He pointed out that Airbnb paid a bed tax in the municipalities that they operated. The bill indicated to the platform companies that the car renter must pay the state vehicle rental tax and any municipal tax, if applicable, and aligned peer-to-peer car rental companies with traditional vehicle rental companies.

[3:09:36 PM](#)

ASHLEY CARRICK, STAFF, REPRESENTATIVE ADAM WOOL, reviewed the sectional analysis:

This bill amends Alaska Statutes 43 and 45.

Section 1: States that this act may be known as the "Vehicle Rental Modernization Act."

Section 2: Specifies that Alaska's existing Vehicle Rental Tax should be paid by the individual who either

provides the leased or rented vehicle, or by a vehicle rental network.

Section 3: References the definitions for "Vehicle Rental Business" and "Vehicle Rental Network" in Section 7.

Section 4: A "Vehicle Rental Network" is a business that arranges or executes personal passenger vehicle or recreational vehicle rentals, and which is subject to laws which govern vehicle rental businesses, including AS 19.75.915, AS 28.10.375, AS 28.35.320, AS 45.32, and AS 45.45.425-459. Electronic notices or disclosures apply to vehicle rental networks.

Section 5: Adjusts language to specify that vehicle rental businesses and individual owners leasing or renting their vehicles should disclose all costs, fees, airport-costs, government taxes, and government surcharges applied to consumers.

Section 6: Adjusts language to specify that vehicle rental business may only charge renters or consumers fees relevant to recovering actual costs of operating and must adjust costs based on the actual costs of operation.

Section 7: Deletes existing definitions of "car" and "rental car business." Adds new definitions to include passenger vehicles, personal vehicles, and recreational vehicles, vehicle rental businesses and vehicle rental networks. A vehicle rental business can be either a direct renter of vehicles or a vehicle rental network.

[3:11:49 PM](#)

Representative LeBon asked if a Bed and Breakfast operator offering a peer-to-peer car rental not going through a platform could carry out the transactions "on the quiet" and not be subject to taxes. Ms. Carrick responded in the negative. She related that the individual would be liable for state and local taxes, but it would be difficult to collect it. Representative LeBon asked if there were individuals on Turo that had multiple vehicles and were essentially running a business.

Representative Wool answered that the number of vehicles rented through Turo in Alaska was unknown. Turo refused to release the information to the state. He relayed that the State of Alaska was currently involved in a lawsuit to get Turo to release information about the individuals operating through Turo. He shared from personal experience that he knew someone who operated an Airbnb and ran a multiple vehicle rental through Turo. He was also aware of many people who purchased cars for the sole purpose of renting them out on Turo. He offered that the Turo rentals are often more expensive than the rental car companies' rates.

[3:14:45 PM](#)

In response to a question by, Representative Knopp, Representative Wool indicated that Turo was not happy with the idea of paying the tax and other technology companies along with Turo were in opposition to the bill. The platforms wanted to negotiate and pay lower tax rates than entities such as Uber and Lyft or through traditional rental car companies. He recounted that Uber, Lyft, and Airbnb had to pay the full amount of applicable taxes. He did not understand the logic for a discounted tax but acknowledged that the car rental platforms made the argument for lower taxes.

[3:17:18 PM](#)

Representative Carpenter pointed to page 1, lines 11 and 12 of the bill and read, "person who provides the leased or rented vehicle; vehicle rental business." He asked if the legislation would apply to a mother and father who rent their vehicle to their child. Representative Wool responded that it was not his intent for family members to have to pay a tax. He reiterated that the intent of the bill was strictly meant for peer-to-peer rental platforms. He emphasized that people in the car rental business should pay the tax. He revealed that the state collected over \$10 million in vehicle rental tax in the prior year and expected the number would be higher if peer-to-peer rentals were included. He reminded the committee that a rental transaction between two individuals was still liable for the tax. Representative Carpenter wanted to avoid any unintended consequences of a "non-business" owing taxes.

Ms. Carrick interjected that if someone wanted to start their own traditional car rental business with a small

number of cars the bill would capture that type of business as well. The bill included any type of car rental business that was a source of income. She recounted testimony in the prior year in the House Labor and Commerce Committee from Brandon Spanos [Deputy Director, Tax Division, Department of Revenue] that it would be unlikely that individuals would do proper reporting to alert the department that taxes were owed making enforcement difficult.

[3:21:11 PM](#)

Representative Josephson referred to his notes from the previous hearing of the bill. He noted testimony that over 700 peer-to-peer cars were being rented. He asked for an estimate of the amount of income the state was not collecting. Representative Wool responded that presently, Turo would not release information and without the data it was difficult to calculate. He was unaware of the 700 figure. He asked Ms. Carrick if she remembered the testimony.

Ms. Carrick recalled that in the prior year a testifier from Turo had roughly estimated the number of owners renting vehicles at 700. She emphasized that the Turo testifier stressed that his number was a very rough estimate.

Co-Chair Johnston referenced Representative Wool's account of a person who was running a car rental business through Turo. She wondered if the individual received a vehicle manufacturer's discount as well. Representative Wool did not know the answer to the question. He guessed that the purchases were random. Co-Chair Johnston commented that one platform that was highly likely to pop up in Alaska was the popular scooter rentals. She wondered how it would work with HB 102. Representative Wool replied that he was familiar with the scooter rental. He voiced that it was a vehicle rental platform and wanted to see it under the HB 102 umbrella as a vehicle rental. He did not believe the state should forego potential revenue especially when the traditional vehicle rental companies were collecting it.

Co-Chair Johnston reviewed the agenda for the following day.

HB 102 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

3:25:38 PM

The meeting was adjourned at 3:25 p.m.