

ALASKA STATE LEGISLATURE
SENATE TRANSPORTATION STANDING COMMITTEE

April 26, 2022

1:34 p.m.

MEMBERS PRESENT

Senator Robert Myers, Chair
Senator Mike Shower, Vice Chair
Senator Peter Micciche
Senator Jesse Kiehl

MEMBERS ABSENT

Senator Click Bishop

COMMITTEE CALENDAR

HOUSE BILL NO. 90

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

- MOVED SCS HB 90 (TRA) OUT OF COMMITTEE

SENATE BILL NO. 166

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state infrastructure projects, including construction, major maintenance, and port and transportation projects; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 90

SHORT TITLE: VEHICLE RENTALS & VEHICLE RENTAL NETWORKS

SPONSOR(S): REPRESENTATIVE(S) WOOL

02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	L&C, FIN
04/09/21	(H)	L&C AT 8:00 AM GRUENBERG 120
04/09/21	(H)	Heard & Held
04/09/21	(H)	MINUTE(L&C)

04/12/21 (H) L&C AT 3:15 PM BARNES 124
 04/12/21 (H) Moved HB 90 Out of Committee
 04/12/21 (H) MINUTE(L&C)
 04/14/21 (H) L&C RPT 4DP 3AM
 04/14/21 (H) DP: SCHRAGE, SNYDER, SPOHNHOLZ, FIELDS
 04/14/21 (H) AM: KAUFMAN, MCCARTY, NELSON
 05/13/21 (H) FIN AT 1:30 PM ADAMS 519
 05/13/21 (H) Heard & Held
 05/13/21 (H) MINUTE(FIN)
 02/02/22 (H) FIN AT 9:00 AM ADAMS 519
 02/02/22 (H) Moved HB 90 Out of Committee
 02/02/22 (H) MINUTE(FIN)
 02/04/22 (H) FIN RPT 5DP 2NR
 02/04/22 (H) DP: ORTIZ, EDGMON, WOOL, JOSEPHSON,
 FOSTER
 02/04/22 (H) NR: THOMPSON, MERRICK
 03/04/22 (H) TECHNICAL SESSION 3/4 - ON 3/7 CALENDAR
 03/07/22 (H) BEFORE HOUSE IN SECOND READING
 03/11/22 (H) TECHNICAL SESSION 3/11 - ON 3/14
 CALENDAR
 03/18/22 (H) TRANSMITTED TO (S)
 03/18/22 (H) VERSION: HB 90 AM(EFD FLD)
 03/21/22 (S) READ THE FIRST TIME - REFERRALS
 03/21/22 (S) TRA, L&C, FIN
 03/29/22 (S) TRA AT 1:30 PM BELTZ 105 (TSBldg)
 03/29/22 (S) -- MEETING CANCELED --
 04/07/22 (S) TRA AT 1:30 PM BELTZ 105 (TSBldg)
 04/07/22 (S) Heard & Held
 04/07/22 (S) MINUTE(TRA)
 04/14/22 (S) TRA AT 1:30 PM BELTZ 105 (TSBldg)
 04/14/22 (S) -- MEETING CANCELED --
 04/26/22 (S) TRA AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

MICHAELA ANDERSON, Staff
 Senator Robert Myers
 Alaska State Legislature
 Juneau, Alaska

POSITION STATEMENT: Explained the summary of changes between Version A and Version B of HB 90 on behalf of the committee.

ACTION NARRATIVE

[1:34:59 PM](#)

CHAIR ROBERT MYERS called the Senate Transportation Standing Committee meeting to order at 1:34 p.m. Present at the call to order were Senators Kiehl, Shower, Micciche, and Chair Myers.

HB 90-VEHICLE RENTALS & VEHICLE RENTAL NETWORKS

[1:35:31 PM](#)

CHAIR MYERS announced the consideration of HOUSE BILL NO. 90 am(efd fld) "An Act relating to rental vehicles; relating to vehicle rental networks; relating to vehicle rental taxes; and relating to vehicle rental fees."

[HB 90 am(efd fld) was before the committee.]

[HB 90 was previously heard on 4/7/22. Public testimony was opened and closed.]

[1:35:41 PM](#)

SENATOR SHOWER moved to adopt the Senate committee substitute (SCS) for HB 90, work order 32-LS0396\B, as the working document.

[1:35:47 PM](#)

CHAIR MYERS objected for discussion purposes.

[1:36:08 PM](#)

MICHAELA ANDERSON, Staff, Senator Robert Myers, Alaska State Legislature, Juneau, Alaska, explained the summary of changes between Version A and Version B of HB 90 on behalf of the committee. She stated that there was a title change that added the collection of a municipal sales tax for certain vehicle rentals and an effective date.

[1:36:32 PM](#)

MS. ANDERSON reviewed the changes in the Senate Committee Substitute (SCS) for HB 90(TRA), Version B, beginning with the changes in Section 2.

[Original punctuation provided.]

Changes the rate of passenger vehicle rental taxes from 10 percent to five percent for the lease or rental of a passenger vehicle. Makes conforming language changes by removing disused vehicle rental individuals term.

MS. ANDERSON reviewed the changes in Section 3.

Removes and replaces vehicle rental business and vehicle rental individual with a vehicle rental network company. Clarifies the liability for payment of vehicle rental taxes to include both a vehicle rental network company or a person who provides the lease or rented vehicle through a vehicle rental network.

[1:37:12 PM](#)

MS. ANDERSON reviewed the changes in Section 5.

Replaces section five amendment of AS 43.52.099 and inserts new section five that amends AS 43.52.090. Establishes that a passenger vehicle rental tax does not apply to a person who rents three or fewer vehicles in the state.

MS. ANDERSON reviewed the changes in Section 6.

Adds the collection of a municipal sales tax for vehicle rentals if the municipality imposes a sales tax. Vehicle rental network company will collect and pay the municipal sales tax on behalf of a vehicle rental business. Makes conforming language changes and removes obligation for vehicle rental individual regarding electronic notice and disclosure.

MS. ANDERSON reviewed the changes in Sections 7 and 8.

Makes conforming language changes removing disused vehicle rental individuals terms.

MS. ANDERSON reviewed the changes in Section 9.

Makes conforming language changes to the definitions of vehicle rental business and removes the definition of vehicle rental individual.

MS. ANDERSON reviewed the changes in Section 10.

Adds an effective date of January 1st, 2023 for sections 1-5 of the act.

[1:38:31 PM](#)

SENATOR MICCICHE asked whether Version B changed all vehicle tax rates from 10 percent to five percent.

MS. ANDERSON answered yes.

[1:38:56 PM](#)

SENATOR KIEHL asked whether the vehicle rental taxes for existing businesses not using the network platform would be halved in Version B.

CHAIR MYERS answered yes. He explained that Version B would reduce the Vehicle Rental Tax from 10 percent to 5 percent for car rental agencies such as Enterprise, Avis, National, or Alamo.

SENATOR KIEHL noted that the exception would be for Turo or peer-to-peer network platform rentals who rent three or fewer vehicles to customers on the platform.

CHAIR MYERS agreed that peer-to-peer platforms renting three or fewer cars would not be subject to a vehicle rental tax.

[1:39:41 PM](#)

MS. ANDERSON pointed out that municipalities could collect taxes, so the Municipality of Anchorage could collect its 8 percent Vehicle Rental Tax and the City of Juneau could collect its five percent tax. The reduction would apply solely to the state rate.

[1:39:55 PM](#)

CHAIR MYERS removed his objection.

SENATOR MICCICHE objected.

[1:40:05 PM](#)

At ease

[1:42:41 PM](#)

CHAIR MYERS reconvened the meeting.

[1:42:49 PM](#)

SENATOR MICCICHE removed his objection.

CHAIR MYERS found no further objection, and Version B was before the committee.

CHAIR MYERS solicited amendments.

[1:43:25 PM](#)

SENATOR KIEHL moved to adopt Conceptual Amendment 1 to HB 90, which read:

Offered in the Senate
To: HB 90 ver. B

Pg. 1 ln 10:
Delete "five"
Insert "ten"

Page 2, ln. 13-15:
Delete all material.

[1:43:29 PM](#)

CHAIR MYERS objected for discussion purposes.

[1:43:33 PM](#)

SENATOR KIEHL stated that Version B made some good changes by clarifying who remits the tax and ensuring that municipalities are covered. He explained that Conceptual Amendment 1 uses the existing 10 percent tax rate and applies it to all vehicle rentals in the state. He characterized it as creating a level playing field. It does not matter if the company is a national company that operates in Alaska, an Alaskan who owns a franchise, an Alaskan who owns a couple of dozen cars available for rent at the airport or dock, if a person lists 20 cars using a peer-to-peer platform such as Turo, or if a person only lists one vehicle rental. There is no government distortion of the market since the vehicle rental rate is 10 percent no matter the business model used.

[1:44:41 PM](#)

SENATOR MICCICHE moved to adopt Conceptual Amendment 1 to Conceptual Amendment 1.

[1:44:47 PM](#)

CHAIR MYERS objected for discussion purposes.

[1:44:51 PM](#)

SENATOR MICCICHE stated Conceptual Amendment 1 to Conceptual Amendment 1 would eliminate the second part of Conceptual Amendment 1 on page 2, lines 13-15 of HB 90, which read.

(b) The tax imposed in AS 43.52.020 does not apply to a person who rents three or fewer vehicles in the state.

[1:45:01 PM](#)

SENATOR MICCICHE explained Conceptual Amendment 1 to Conceptual Amendment 1 would mean that someone renting three or fewer vehicles in the state would not pay the tax. Still, it would retain the ten percent vehicle rental tax contained in the first part of Conceptual Amendment 1.

[1:45:14 PM](#)

SENATOR KIEHL objected to Conceptual Amendment 1 to Conceptual Amendment 1.

[1:45:38 PM](#)

CHAIR MYERS removed his objection.

[1:45:41 PM](#)

SENATOR KIEHL maintained his objection.

[1:45:50 PM](#)

A roll call vote was taken. Senators Shower, Micciche, and Myers voted in favor of Conceptual Amendment 1 to Conceptual Amendment 1, and Senator Kiehl voted against it. Therefore, Conceptual Amendment 1 to Conceptual Amendment 1 was adopted by a 3:1 vote.

[1:46:28 PM](#)

CHAIR MYERS stated that Conceptual Amendment 1, as amended, was before the committee.

[1:46:35 PM](#)

SENATOR KIEHL offered his belief that Conceptual Amendment 1, as amended, was still a good amendment.

[1:46:49 PM](#)

SENATOR MICCICHE stated his belief that Alaskans pay for everything. He offered his view that reducing the Alaska Vehicle Rental Tax from 10 to 5 percent would also reduce fundings that pay for highways throughout Alaska. He characterized it as anti-resident. He indicated that Version B does not increase taxes on Alaskans, but effectively would decrease the taxes on primarily out-of-state residents who rent vehicles in Alaska. He stated that Conceptual Amendment 1, as amended would increase the Alaska Vehicle Rental Tax to 10 percent, which is the current rate. This would allow visitors to pay for some of the services it receives.

[1:47:41 PM](#)

CHAIR MYERS removed his objection; he found no further objection and Conceptual Amendment 1, as amended, was adopted.

[1:47:57 PM](#)

SENATOR MICCICHE stated he would like a moment to write an amendment to create a tax rate for peer-to-peer network vehicles.

[1:48:23 PM](#)

At ease

[1:54:24 PM](#)

CHAIR MYERS reconvened the meeting

[1:54:29 PM](#)

SENATOR MICCICHE moved to adopt Conceptual Amendment 2.

[1:54:31 PM](#)

CHAIR MYERS objected for discussion purposes.

[1:54:33 PM](#)

SENATOR MICCICHE stated that the committee discussed a level playing field, but the reality is that the larger companies obtain breaks on insurance and when purchasing vehicles. He said he would like to address mom-and-pop peer-to-peer businesses that offer rental vehicles by providing them with a lower tax rate.

SENATOR MICCICHE stated Conceptual Amendment 2:

On page 1 line 10, after, is, insert ":

1. 10 percent of the total fees and costs charged for the lease or rental of a passenger vehicle by a rental business, or
2. Five percent of the total fees and costs charged for the lease or rental of a passenger vehicle by a vehicle rental individual.

[1:56:04 PM](#)

SENATOR SHOWER asked him to clarify the intent in Section 5 [page 2, lines 13-15] would cover the real mom-and-pop businesses.

[1:56:25 PM](#)

SENATOR MICCICHE explained that Section 5 states that the tax proposed in AS 43.52.020, which the committee proposes to amend, does not apply to a person who rents three or fewer vehicles in the state.

SENATOR SHOWER thanked him for stating the intent for the record.

[1:56:49 PM](#)

SENATOR KIEHL said that "vehicle rental individual" is not defined in Version B. The definition in the previous version, Version 32-LS0396\A.A read:

- (8) "vehicle rental individual" means a person who
 - (A) engages in the business of renting a vehicle in the state or, through a vehicle rental network, arranging or executing a vehicle rental in the state; and
 - (B) rents three or fewer vehicles in the state

SENATOR KIEHL asked how "vehicle rental individual" would be defined.

[1:57:26 PM](#)

SENATOR SHOWER asked whether page 4, paragraphs (7) and (8) would cover it.

[1:57:50 PM](#)

CHAIR MYERS stated that a definition for "vehicle rental individual" was in the prior version of HB 90, but it is not in the current committee substitute, Version B. He suggested that the committee would need to define vehicle rental individual.

[1:58:05 PM](#)

SENATOR SHOWER stated that the definition [on page 7, lines 10-12, paragraph (7),] "vehicle rental business" means a person who engages in the business of renting a vehicle in the state or, through a vehicle rental network, arranging or executing a vehicle rental in the state.

[1:58:14 PM](#)

CHAIR MYERS stated that the definition would need to change.

[1:58:21 PM](#)

SENATOR MICCICHE stated that he would view Senator Kiehl's suggested language on page 4, lines 18-21 of the previous version as a friendly amendment.

[1:59:11 PM](#)

At ease

[2:03:32 PM](#)

CHAIR MYERS reconvened the meeting

[2:03:43 PM](#)

SENATOR MICCICHE moved Conceptual Amendment 1 to Conceptual Amendment 2 to bring the language on page 4, lines 18-21 of the previous version, Version, 32-LS0396\A.A into Version B as paragraph (8), which read:

- (8) "vehicle rental individual" means a person who
 - (A) engages in the business of renting a vehicle in the state or, through a vehicle rental network, arranging or executing a vehicle rental in the state; and
 - (B) rents three or fewer vehicles in the state

SENATOR MICCICHE stated that the definition of "vehicle rental network" would be renumbered as paragraph (9).

[2:04:16 PM](#)

SENATOR MICCICHE explained Conceptual Amendment 1 to Conceptual Amendment 2. He stated that the conceptual amendment would indicate that the traditional brick and mortar businesses would be subject to a 10 percent vehicle rental tax, vehicle rental individuals would be subject to a five percent vehicle rental tax, whether they use an "app" or not, and individuals who have three or fewer vehicles, would not be subject to any vehicle rental tax.

[2:04:40 PM](#)

CHAIR MYERS objected for discussion purposes.

[2:04:44 PM](#)

SENATOR KIEHL suggested that the person includes corporations. He stated that 5 percent would apply to natural persons or anyone who uses the "App."

SENATOR MICCICHE agreed that is correct.

[2:05:20 PM](#)

CHAIR MYERS withdrew his objection.

CHAIR MYERS stated that Conceptual Amendment 1 to Conceptual Amendment 2 was adopted. Conceptual Amendment 2, as amended, was now before the committee.

[2:05:32 PM](#)

SENATOR KIEHL said he understood the sponsor's intent and goal. He related his understanding that Conceptual Amendment 2, as amended, would treat the mom-pop renting a couple of dozen cars at the 10 percent level as though they were a car rental agency such as Avis, National, or Hertz. However, if an individual like himself wanted to start renting cars, he could rent up to three cars in his name, three cars in his wife's name, and three cars in his 20-year-old daughter's name, avoiding paying any vehicle rental tax. He offered his belief that it causes problems to try to tilt an excise tax in this manner. He said he would object to the principle.

[2:07:21 PM](#)

SENATOR MICCICHE related that in his community, the way brick and mortar cars are funded, the companies sell off their existing vehicles to purchase new ones. When the pandemic hit, these companies sold off the bulk of their vehicles, making no vehicles available. He stated that his community depended on this business model. He offered his view that there is room in the marketplace for both types, noting that the traditional model depends on selling vehicles when difficult things happen, whereas the other is not. He offered his view that Conceptual Amendment 2, as amended, will create a level playing field.

[2:08:46 PM](#)

CHAIR MYERS withdrew his objection.

[2:08:52 PM](#)

SENATOR KIEHL objected.

[2:08:55 PM](#)

A roll call vote was taken. Senators Micciche, Shower, and Myers voted in favor of Conceptual Amendment 2, as amended, and Senator Kiehl voted against it. Therefore, Conceptual Amendment 2, as amended, was adopted by a 3:1 vote.

[2:09:21 PM](#)

CHAIR MYERS solicited other amendments, and there were none.

[2:09:32 PM](#)

SENATOR SHOWER moved to report the Senate Committee Substitute (SCS) for HB 90, work order, 32-LS0396\B, as amended, from committee with individual recommendations and attached fiscal note(s).

CHAIR MYERS found no further objection, and SCS HB 90(TRA) was reported from the Senate Transportation Standing Committee.

2:09:54 PM

CHAIR MYERS stated that Legislative Legal Services is directed to make any technical and conforming changes to the suggested language or bill title changes to accomplish the intent of any conceptual amendments to the bill.

2:10:06 PM

At ease

2:11:56 PM

CHAIR MYERS reconvened the meeting.

2:12:22 PM

There being no further business to come before the committee, Chair Myers adjourned the Senate Transportation Standing Committee meeting at 2:12 p.m.