

# Fiscal Note

State of Alaska  
2024 Legislative Session

Bill Version:	CSSB 127(FIN)
Fiscal Note Number:	2
(S) Publish Date:	3/13/2024

Identifier: SB127CS(TRA)-DOR-TAX-01-19-24  
 Title: TAXATION: VEHICLE RENTALS, SUBPOENAS  
 Sponsor: CLAMAN  
 Requester: SENATE TRANSPORTATION

Department: Department of Revenue  
 Appropriation: Taxation and Treasury  
 Allocation: Tax Division  
 OMB Component Number: 2476

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2025	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2025 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<b>OPERATING EXPENDITURES</b>	<b>FY 2025</b>	<b>FY 2025</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

**Change in Revenues**

None	***		***	***	***	***	***	***
<b>Total</b>	<b>***</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

**Estimated SUPPLEMENTAL (FY2024) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2025) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
 If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version/comments:**

Updated from SLA2023 to SLA2024 fiscal note template.

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 Agency: Department of Revenue

Phone: (907)269-6736  
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REPORTED OUT OF  
SFC 03/12/2024

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2024 LEGISLATIVE SESSION

## Analysis

**Background**

Alaska currently imposes an excise tax under AS 43.52 on the lease or rental of passenger and recreational vehicles in the state if the lease or rental of the vehicle does not exceed 90 consecutive days. The rate of the tax for passenger vehicles is 10% of the total fees and costs charged for the lease or rental of the passenger vehicle. The rate of the tax for recreational vehicles is 3% of the total fees and costs charged for the lease or rental of the recreational vehicle. The current tax applies broadly to nearly all short-term rentals, including those executed via an online platform. However, because the platforms do not report the transactions to the Department of Revenue, it is difficult to enforce the current tax on the individual vehicle owners.

This bill would move the responsibility for collecting and remitting the tax from the individual owner to the vehicle rental platform company if the lease or rental was arranged or executed through the platform. The Department of Revenue, Tax Division is aware of at least four businesses arranging vehicle rentals in the State that do so online and have not paid the vehicle rental tax. The bill would bring some additional revenue back into the general fund which has been eroded due to the peer-to-peer vehicle rental platforms operating in the state. These companies are arranging rentals which have historically been provided by traditional vehicle rental companies, which because they are the owners of the vehicles have filed and paid the tax. This bill would take effect immediately.

**Revenue Impact**

The Department of Revenue has collected an average of \$11.7 million in vehicle rental taxes over the past four years. The revenue from the vehicle rental tax was \$9.7 million in FY2020, \$7.9 million in FY2021, \$13.9 million in FY2022, and \$15.1 million in FY2023. This bill would capture unreported vehicle rentals that are arranged or executed through a vehicle rental platform and, therefore, would have a positive effect on revenue.

However, the Department of Revenue does not have enough data on peer-to-peer rental information in Alaska to provide an estimated revenue impact. Therefore, the change in tax revenue is indeterminate.

**Implementation Cost**

This proposed legislation does not change the tax itself, it merely captures unreported vehicle rentals by requiring the vehicle rental platform to collect and remit the tax. This bill would not require the Department of Revenue to make changes to its Tax Revenue Management System (TRMS). Therefore, there would be no cost to the department for implementation. Additional review and audit work would be absorbed by existing staff.