

**ALASKA STATE LEGISLATURE  
HOUSE TRANSPORTATION STANDING COMMITTEE**

April 27, 2024

1:02 p.m.

**MEMBERS PRESENT**

Representative Kevin McCabe, Chair  
Representative Sarah Vance, Vice Chair  
Representative Tom McKay  
Representative Craig Johnson  
Representative Jesse Sumner  
Representative Louise Stutes  
Representative Genevieve Mina

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CS FOR SENATE BILL NO. 127(FIN)

"An Act relating to vehicle rental taxes; relating to the issuance of subpoenas related to tax records; and providing for an effective date."

- MOVED CSSB 127(FIN) OUT OF COMMITTEE

HOUSE BILL NO. 233

"An Act relating to rates and time allowances for motor vehicle warranty work."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 127

SHORT TITLE: TAXATION: VEHICLE RENTALS, SUBPOENAS

SPONSOR(s): SENATOR(s) CLAMAN

04/12/23	(S)	READ THE FIRST TIME - REFERRALS
04/12/23	(S)	TRA, FIN
04/20/23	(S)	TRA AT 1:30 PM BUTROVICH 205
04/20/23	(S)	Heard & Held
04/20/23	(S)	MINUTE(TRA)
05/02/23	(S)	TRA AT 1:30 PM BUTROVICH 205
05/02/23	(S)	Moved CSSB 127(TRA) Out of Committee

05/02/23 (S) MINUTE (TRA)  
 05/03/23 (S) TRA RPT CS 2NR 1AM SAME TITLE  
 05/03/23 (S) NR: KAUFMAN, TOBIN  
 05/03/23 (S) AM: MYERS  
 05/04/23 (S) TRA AT 1:30 PM BUTROVICH 205  
 05/04/23 (S) <Bill Hearing Canceled>  
 01/24/24 (S) FIN AT 1:30 PM SENATE FINANCE 532  
 01/24/24 (S) Heard & Held  
 01/24/24 (S) MINUTE (FIN)  
 01/29/24 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 01/29/24 (S) Heard & Held  
 01/29/24 (S) MINUTE (FIN)  
 03/12/24 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/12/24 (S) Heard & Held  
 03/12/24 (S) MINUTE (FIN)  
 03/12/24 (S) FIN AT 1:30 PM SENATE FINANCE 532  
 03/12/24 (S) Moved CSSB 127 (FIN) Out of Committee  
 03/12/24 (S) MINUTE (FIN)  
 03/13/24 (S) FIN RPT CS 1DP 4NR 1AM SAME TITLE  
 03/13/24 (S) DP: OLSON  
 03/13/24 (S) NR: STEDMAN, WILSON, MERRICK, BISHOP  
 03/13/24 (S) AM: KIEHL  
 03/18/24 (S) TRANSMITTED TO (H)  
 03/18/24 (S) VERSION: CSSB 127 (FIN)  
 03/20/24 (H) READ THE FIRST TIME - REFERRALS  
 03/20/24 (H) TRA, FIN  
 04/11/24 (H) TRA AT 1:00 PM BARNES 124  
 04/11/24 (H) -- MEETING CANCELED --  
 04/25/24 (H) TRA AT 1:00 PM BARNES 124  
 04/25/24 (H) <Bill Hearing Canceled>  
 04/27/24 (H) TRA AT 1:00 PM BARNES 124

BILL: HB 233

SHORT TITLE: RATES: MOTOR VEHICLE WARRANTY WORK  
 SPONSOR (s): REPRESENTATIVE (s) TOMASZEWSKI

01/16/24 (H) PREFILE RELEASED 1/8/24  
 01/16/24 (H) READ THE FIRST TIME - REFERRALS  
 01/16/24 (H) L&C, JUD  
 03/06/24 (H) L&C AT 3:15 PM BARNES 124  
 03/06/24 (H) Heard & Held  
 03/06/24 (H) MINUTE (L&C)  
 03/15/24 (H) L&C AT 3:15 PM BARNES 124  
 03/15/24 (H) -- MEETING CANCELED --  
 03/22/24 (H) L&C AT 3:15 PM BARNES 124  
 03/22/24 (H) Heard & Held  
 03/22/24 (H) MINUTE (L&C)

04/18/24	(H)	TRA REPLACES JUD REFERRAL
04/22/24	(H)	L&C AT 3:15 PM BARNES 124
04/22/24	(H)	Moved HB 233 Out of Committee
04/22/24	(H)	MINUTE(L&C)
04/23/24	(H)	TRA AT 1:00 PM BARNES 124
04/23/24	(H)	<Bill Hearing Canceled>
04/24/24	(H)	L&C RPT 2DP 4NR
04/24/24	(H)	DP: WRIGHT, CARRICK
04/24/24	(H)	NR: FIELDS, PRAX, SADDLER, RUFFRIDGE
04/25/24	(H)	TRA AT 1:00 PM BARNES 124
04/25/24	(H)	Heard & Held
04/25/24	(H)	MINUTE(TRA)
04/27/24	(H)	TRA AT 1:00 PM BARNES 124

**WITNESS REGISTER**

SENATOR MATT CLAMAN

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As prime sponsor, presented CSSB 127(FIN).

CARLY DENNIS, Staff

Senator Matt Claman  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Gave the sectional analysis for CSSB 127(FIN) on behalf of Senator Claman, prime sponsor.

BRANDON SPANOS, Deputy Director

Tax Division  
Department of Revenue  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on CSSB 127(FIN).

FADIL LIMANI, Deputy Commissioner

Department of Revenue  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on CSSB 127(FIN).

KYNDELL GAGLIO, Government Relations

Turo  
San Francisco, California

**POSITION STATEMENT:** Gave invited testimony in support of CSSB 127(FIN).

CARRIGAN GRIGSBY, Executive Vice President  
Avis Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Gave invited testimony in support of CSSB 127(FIN).

CLAIRE HOLLAND, representing self  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of SB 127.

DAVID GOFF, Staff  
Representative Frank Tomaszewski  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions on behalf of Representative Tomaszewski, prime sponsor, during the hearing on HB 233.

LESTER NICHOLS, Board Member  
Alaska Automobile Dealer's Association  
Fairbanks, Alaska

**POSITION STATEMENT:** Answered questions during the hearing on HB 233.

ANDREW STRITZ, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 233.

JADE KINCAIDE, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 233.

WILLIAM SIMMONS, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 233.

PHILIP GINTER, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 233.

LUCAS KINCAIDE, representing self  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified in support of HB 233.

CARRIGAN GRIGSBY, Executive Vice President  
Avis Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 233.

DAVID BRIGHT, Staff Franchise Attorney  
Alliance for Automotive Innovation  
Washington, DC

**POSITION STATEMENT:** Testified in opposition to HB 233.

DAN CARTER, Manager  
Labor Time Activity  
General Motors  
Fenton, Michigan

**POSITION STATEMENT:** Testified in opposition to HB 233.

CHRIS GILKER, Technical Quality Manager  
Volkswagen of America  
Voorheesville, New York

**POSITION STATEMENT:** Testified in opposition to HB 233.

JEFFERY HARBAUGH, Manager  
Regional Customer Service Operations  
Toyota Motor Sales  
Portland, Oregon

**POSITION STATEMENT:** Testified during the hearing on HB 233.

THOMAS LAWSON, Government Affairs Regional Manager  
Ford Motor Company  
Sacramento, California

**POSITION STATEMENT:** Testified in opposition to HB 233.

NICOLINA HERNANDEZ, Regional Director of State Government  
Affairs  
Toyota Motors North America  
Sacramento, California

**POSITION STATEMENT:** Testified during the hearing on HB 233.

#### **ACTION NARRATIVE**

[1:02:26 PM](#)

**CHAIR KEVIN MCCABE** called the House Transportation Standing Committee meeting to order at 1:02 p.m. Representatives McCabe, Vance, McKay, C. Johnson, Sumner, and Stutes were present at the call to order. Representative Mina arrived as the meeting was in progress.

#### **SB 127-TAXATION: VEHICLE RENTALS, SUBPOENAS**

[1:04:16 PM](#)

CHAIR MCCABE announced that the first order of business would be CS FOR SENATE BILL NO. 127(FIN), "An Act relating to vehicle rental taxes; relating to the issuance of subpoenas related to tax records; and providing for an effective date."

[1:04:32 PM](#)

SENATOR MATT CLAMAN, Alaska State Legislature, as prime sponsor, presented CSSB 127(FIN) and paraphrased the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

Senate Bill 127 requires vehicle rental platform companies, such as Turo and Getaround, to collect the existing state vehicle rental tax and remit the tax to the Department of Revenue on behalf of the vehicle owners. Additionally, Senate Bill 127 revises the subpoena provisions that relate to Department of Revenue tax collections.

Under current law, there is uncertainty about whether the vehicle rental platform companies owe the existing excise tax or whether only the vehicle owner owes the excise tax. At least one prior lawsuit did not resolve this question. Senate Bill 127 resolves the question by requiring the vehicle rental platform companies to collect the excise tax from the vehicle renter and remit the excise tax to the Department of Revenue on behalf of the vehicle owner.

Senate Bill 127 was introduced at the request of the Department of Revenue. The Department informed our office that vehicle owners owe the vehicle rental excise tax under existing law, but the law requires a new section to specify that the vehicle rental platform companies are responsible for collecting and remitting the excise tax on behalf of the vehicle owners.

Senate Bill 127 is not meant to affect Alaskans that use other means to advertise their rental cars, such as Craigslist and Facebook Marketplace, because those websites do not collect any funds from the renter or coordinate details about the rental. Vehicle owners who use websites such as Craigslist and Facebook

Marketplace to advertise their vehicles owe the existing excise tax on such rentals, and websites such as Craigslist and Facebook Marketplace would not have a duty to collect the excise tax under the current structure of those websites.

Under the most current version of this bill, the vehicle rental tax is lowered to 8% for vehicle rental platforms such as Turo. The tax remains at 10% for traditional rental car operations. Version R also prevents any retroactive tax collection from vehicle rental platform users.

[1:07:25 PM](#)

CARLY DENNIS, Staff, Senator Matt Claman, Alaska State Legislature, gave the sectional analysis for CSSB 127(FIN) on behalf of Senator Claman, prime sponsor, which read as follows [original punctuation provided]:

**Section 1**

AS 43.05.040. Inspection of records or premises and issuance of subpoenas. Amends AS 43.05.040(c) by removing unnecessary language regarding the issuance of out-ofstate subpoenas related to tax records.

**Section 2**

AS 43.52.020. Rate of Passenger Vehicle Rental Tax. Establishes a separate tax rate of 8% for passenger vehicles rented through a vehicle rental platform. The tax rate of 10% remains for other rentals.

**Section 3**

AS 43.52.050. Liability for payment of vehicle rental taxes. Amends AS 43.52.050(a) by adding language clarifying that vehicle rental platform companies and other companies that arrange vehicle rentals and leases shall collect the existing state vehicle rental tax and remit the tax to the Department of Revenue. Adds language requiring vehicle rental platforms collecting the vehicle rental tax to pay the tax quarterly.

**Section 4**

AS 43.52.050. Liability for payment of vehicle rental taxes. Amends AS 43.52.050 by:

- Creating a new subsection (c) requiring a vehicle rental platform that arranged or executed more than 200 transactions in the state in the preceding calendar year to collect and pay to the department the taxes imposed under AS 43.52.010 - 43.52.099;
- Creating a new subsection (d) clarifying that a vehicle rental platform company is not liable for failing to collect or pay the vehicle rental tax if they were provided with incorrect or insufficient information. The company must demonstrate that a reasonable effort was made to obtain the correct or sufficient information from the person; and
- Adding a new section (e) defining "motor vehicle," "vehicle rental platform," and "vehicle rental platform company."

#### **Section 5**

Uncodified law - assessment and collection limitation  
The Department of Revenue may not, on or after the effective date of this Act, assess and collect vehicle rental taxes that were imposed before the effective date of this Act on a transaction arranged or executed through a vehicle rental platform. If the tax is not assessed and collected before the effective date of this Act, proceedings may not be instituted in court for the assessment or collection of the tax.

#### **Section 6**

Effective Date This Act takes effect immediately.

[1:09:17 PM](#)

CHAIR MCCABE invited questions from committee members.

[1:09:30 PM](#)

REPRESENTATIVE C. JOHNSON asked whether providers for private individuals have paid taxes and, if so, whether they received a rebate on those taxes.

SENATOR CLAMAN responded that individuals online could best speak to the question.

[1:11:02 PM](#)

BRANDON SPANOS, Deputy Director, Tax Division, Department of Revenue, answered questions during the hearing on CSSB 127(FIN).

He stated that under current statute, tax is owed as soon as a vehicle is rented on any platform whether corporate or individual. He briefly spoke to outstanding assessments in the system for certain of those taxpayers. He said that the way he read the bill, it did not allow relief. He noted that he would check into it.

[1:13:00 PM](#)

REPRESENTATIVE STUTES brought up the possibility of an accommodation for a credit going forward if consumers had paid previously.

MR. SPANOS said he would prefer that to be in statute and that he would not want to overstep his authority.

[1:13:35 PM](#)

FADIL LIMANI, Deputy Commissioner, Department of Revenue, added that the way that the law reads, the tax is due and on the books; therefore, those who fail to submit their tax returns and file are the ones who are noncompliant. He requested that the Department of Law (DOL) weigh in.

[1:14:34 PM](#)

REPRESENTATIVE SUMNER commented that he read it as having no provisions for rebates. Those who owe the tax would still owe, but the department could not take action and collect, he opined.

[1:15:05 PM](#)

REPRESENTATIVE STUTES expressed that it made her uncomfortable treating people differently and maybe the legislation needed to be amended.

[1:15:27 PM](#)

CHAIR MCCABE said he was interested in Section 5 because it protected Alaskans. He asked how many have followed the law and done their due diligence. He noted forgiving a group of people who did not pay their taxes versus those who figured out a way to pay them and asked, "How much money are we talking about?"

MR. SPANOS replied that an analysis had been done and he would get back to the committee with the number.

[1:18:21 PM](#)

REPRESENTATIVE SUMNER asked whether the department garnished bank accounts for owed tax.

MR. SPANOS offered his belief that was last year or the year before when bank accounts were levied.

[1:19:07 PM](#)

REPRESENTATIVE VANCE opined that the basic structure of the Turo platform is that "regular people" make their vehicle available for rental. She asked about the number of rentals it takes to have it be referred to as a business enterprise.

MR. LIMANI replied that there would be a slide that would address the Internal Revenue Service (IRS) requirements.

[1:21:44 PM](#)

MR. LIMANI began a PowerPoint, titled "SB 127" [hard copy included in the committee packet]. He proceeded to slide 3, titled "SB 127 - Objective," where he drew attention to the two provisions on the bottom of the slide. Slide 3 read as follows [original punctuation provided]:

- The intent of this legislation is to move the responsibility for collecting and remitting tax from the individual owners to the vehicle rental platform company if the lease or rental was arranged or executed through a platform.
- The proposed legislation **does not impose a new tax.**
- The legislation provides for a streamlined process for the Department of Revenue in collecting the peer-to-peer rental tax.
- **AS 43.52.010:** "There is imposed an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days."
- **AS 43.52.050:** taxes "shall be collected and p

MR. LIMANI briefly showed slide 4, titled "SB 127 - Bottom Line," which read as follows [original punctuation provided]:

- The tax burden already exists - AS 43.52.010
- This bill compels the vehicle rental platforms to collect and remit the tax on behalf of vehicle owners

MR. LIMANI expounded on the points on slide 5, titled "SB 127 - Background," which read as follows [original punctuation provided]:

- Alaska levies an excise tax on fees and costs charged for the lease or rental of a passenger or recreational vehicle if the lease or rental does not exceed a period of 90 consecutive days.
- The person working for the rental/lease agency that provides the leased or rental vehicle collects the tax from the individual renting or leasing the vehicle. The rental/lease agency in turn remits the tax to the Department of Revenue's Tax Division.
- For passenger vehicles, the rate is 10% of the total fees and costs for renting or leasing. For recreational vehicles, the rate is 3% of the total fees and costs for renting or leasing.
- Vehicle rental/lease agencies file tax returns and remit taxes quarterly.

[1:24:39 PM](#)

MR. LIMANI went over the provisions on slide 6, titled "SB 127 - Senate Finance Committee Substitute Changes," which read as follows [original punctuation provided]:

The CS in Senate Finance made two changes to the bill:

- Establishes a separate tax rate of 8% (in place of the current 10%) for passenger vehicles rented through a vehicle rental platform.
- Does not allow retroactive assessment and collection of tax on transactions arranged through a vehicle rental platform prior to the effective date of the

bill. The prior version of the bill allowed for a six-month assessment and collection window.

MR. LIMANI continued to slide 7, titled "SB 127 - Legislative History," which highlighted the history of the vehicle rental tax from 2003 to 2020.

[1:26:49 PM](#)

MR. LIMANI moved to slide 8, titled "SB 127 - Legal Framework," which read as follows [original punctuation provided]:

- **AS 43.52.010:** "There is imposed an excise tax on the charge for the lease or rental of a passenger vehicle in this state if the lease or rental of the passenger vehicle does not exceed a period of 90 consecutive days."
- **AS 43.52.050:** taxes "shall be collected and paid to the department by the person who provides the leased or rented vehicle."
- **AS 44.23.020(b) (2):** "The attorney general shall...(2) bring, prosecute, and defend all necessary and proper actions in the name of the state for the collection of revenue."
- **AS 44.25.020(1) & (2):** "The Department of Revenue shall (1) enforce the tax laws of the state; (2) collect, account for, have custody of, invest, and manage all state funds and all revenues of the state [with certain exceptions like the permanent fund]."
- Dick Fischer Development No. 2 Inc. v. DOA, superior court case: Neither a commissioner nor any other state official has the authority to deprive the state treasury of public monies unless authorized by law.

MR. LIMANI proceeded to slide 9, titled "SB 127 - New IRS Regulation on 1099-K," which read as follows [original punctuation provided]:

- As part of the American Rescue Plan Act of 2021, the threshold for reporting on third party network transaction (Form 1099-K) was reduced to \$600, regardless of the number of transactions.

- On November 2023, the IRS announced delay in form 1099-K reporting threshold for third party transaction platforms.

- Phase-in to implementation
- For Tax Year 2024, threshold of \$5,000
- For Tax Year 2025, threshold of \$600

- In recent years including Tax Year 2023, the threshold for reporting on third party network transactions (Form 1099-K) when payments totaled more than \$20,000 and more than 200 transactions.

[1:29:46 PM](#)

MR. LIMANI concluded on slide 10, titled "SB 127 - Fiscal Impacts," which read as follows [original punctuation provided]:

- The Department of Revenue has collected an average of \$10.7 million per year in vehicle rental taxes over the past four years.
- The proposed legislation would capture unreported vehicle rentals that are arranged or executed through a vehicle rental platform and, therefore, would have a positive effect on revenue.
- The Department of Revenue currently does not have enough data on peer-to-peer rental information in Alaska to provide for an estimative revenue impact.
- Currently the Department of Revenue has approximately \$470K in delinquent accounts spread across 25 taxpayers.

[1:31:19 PM](#)

REPRESENTATIVE VANCE inquired how the department reaches compliance and collects taxes if it does not have an idea of how many people use these platforms.

MR. LIMANI opined that would be with the passage of the bill.

REPRESENTATIVE VANCE asked whether the platform itself automatically collects a tax on behalf of the rental owner.

MR. LIMANI replied that with the passage of the bill, yes, the host would be able to identify and gather that information and report it to the Department of Revenue (DOR).

[1:32:57 PM](#)

SENATOR CLAMAN added that Turo does not own vehicles and, for example, if someone rented a car in Anchorage there would be a line for the Anchorage tax but not the state tax. The proposed law would require Turo to add this to the "invoice" at the time of rental.

[1:34:20 PM](#)

REPRESENTATIVE MCKAY said he supported the bill and opined it was a good solution; however, if he had paid taxes and someone else did not, he would be upset. In the name of fairness and credibility that part of the situation must be addressed.

SENATOR CLAMAN inserted that he felt it was acceptable to hold the bill for amendment language instead of moving it forward today.

[1:36:29 PM](#)

REPRESENTATIVE SUMNER expressed his uncertainty and that there may be a horizontal equity issue.

MR. LIMANI explained certain legal implications and that the state and department would be exposed not only from this program but from others.

[1:38:41 PM](#)

CHAIR MCCABE asked for the committee's indulgence in moving the bill forward.

REPRESENTATIVE MCKAY said he supported moving the bill forward.

REPRESENTATIVE STUTES commented that the maker of the bill could help the committee through it and "fine tune" it if it were moved.

REPRESENTATIVE MINA expressed curiosity about other states' discrepancies and Turo owners regarding rebates.

[1:41:01 PM](#)

SENATOR CLAMAN replied that his staff had not looked into the question.

[1:41:10 PM](#)

REPRESENTATIVE SUMNER offered his belief that another thing to consider was retroactive rebate language.

CHAIR MCCABE said that he was concerned with secondary effects and consequences across the board, and perhaps it was best to find a path forward that protects Alaskans.

[1:42:48 PM](#)

SENATOR CLAMAN noted there was a finance referral on the bill.

[1:43:08 PM](#)

CHAIR MCCABE addressed Mr. Limani in requesting a "tightly defined paragraph" on how he thought trying to fix the issue would affect DOR and the Tax Division in the long term.

MR. LIMANI said he could provide the information to the committee.

[1:43:48 PM](#)

CHAIR MCCABE noted that there are other testifiers.

[1:44:08 PM](#)

KYNDELL GAGLIO, Government Relations, Turo, gave invited testimony in support of CSSB 127(FIN) and stated that Turo's mission was to put cars to better use and clarified that Turo owns no vehicles. The "hosts" earn extra income by sharing vehicles with visitors and locals, and she gave examples of the communities that participate. She noted 20 percent of Alaska community members using car shares are military members. She expressed her encouragement toward the most recent version of the bill that removed the threat of retroactivity and established a tax. She thanked the committee for its effort on a reasonable and fair solution.

[1:46:54 PM](#)

CARRIGAN GRIGSBY, Executive Vice President, Avis Alaska, gave invited testimony in support of CSSB 127(FIN). He gave a history of Avis Alaska, its current employees and fleet, and noted it was partially employee-owned. He spoke to the percentage of tax for car sharing versus rental and that he was in support of that; however, he wished to address earlier comments about rebating. He stressed that it would cause a huge problem and an "administrative nightmare." He thanked Senator Claman and his staff and said he looked forward to the passage of CSSB 127(FIN).

[1:50:43 PM](#)

CHAIR MCCABE thanked invited testifiers and noted that there may be room for a separate bill. He opened public testimony on CSSB 127(FIN).

[1:51:56 PM](#)

CLAIRE HOLLAND, representing self, noted that she was a member of the Chugach State Park Citizen Advisory Board, which previously sent a letter to the House Transportation Standing Committee outlining its support for SB 127 and wish to increase the state's vehicle rental tax and thereby increase the available funding for maintenance and operation of Alaska's state park system. She opined that SB 127 would make sure that the state collects all tourism tax dollars to help maintain Alaska's state park system. Additionally, adequately staffing state parks and providing funding for basic needs is necessary for the continued enjoyment of the parks and to grow the state's tourism.

[1:53:56 PM](#)

REPRESENTATIVE VANCE clarified that the use of funds is traditional because the state cannot have dedicated funds. It is not a hard and fast law due to this, she said.

[1:54:28 PM](#)

CHAIR MCCABE, after ascertaining no one else wished to testify, closed public testimony on CSSB 127(FIN).

[1:54:58 PM](#)

SENATOR CLAMAN gave final comments. He said in light of comments made, the issue of taxes owed should be addressed with

great caution and as suggested, should be looked at in the future but not as part of the current bill.

[1:56:46 PM](#)

CHAIR MCCABE commented that it was about time to fix the problem.

[1:57:06 PM](#)

REPRESENTATIVE VANCE noted the presence of an attorney, and she expressed that it gave her more comfort that the bill would go to the House Finance Committee, which could put some of the issues to rest.

SENTATOR CLAMAN commented that the discussion about the challenge of collecting taxes is not easy, nor is finding someone who wants to take such a case.

[1:59:05 PM](#)

REPRESENTATIVE SUMNER pointed out that it was the renter who paid the tax, and he was opposed to "rebating back."

MR. LIMANI expressed to the committee that the cautionary measures on being able to put anything in statute could expose the state to other liabilities and create an opportunity for rental car companies to sue the state. He advised the committee to tread lightly on the area of tax liability.

[2:00:56 PM](#)

REPRESENTATIVE VANCE stated she wanted the conversation to be well established such that it was clear the committee did not want to put the state in any position of liability but to do what's best for Alaskans and all parties involved.

REPRESENTATIVE MCKAY spoke of his constituents and said that if the state were put in a precarious situation, it would be a concern for him.

[2:01:36 PM](#)

REPRESENTATIVE VANCE moved to report CSSB 127(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSSB 127(FIN) was reported out of the House Transportation Standing Committee.

[2:01:58 PM](#)

The committee took an at-ease from 2:01 p.m. to 2:06 p.m.

**HB 233-RATES: MOTOR VEHICLE WARRANTY WORK**

[2:06:55 PM](#)

CHAIR MCCABE announced that the final order of business would be HOUSE BILL NO. 233, "An Act relating to rates and time allowances for motor vehicle warranty work."

CHAIR MCCABE moved to adopt Amendment 1 to HB 233, labeled 33-LS1042\A.2, Gunther, 4/26/24, which read as follows:

Page 1, lines 11 - 13:

Delete "the rates **and time allowances** in the schedule of compensation may not be less than the rates **and time allowances** that the new motor vehicle dealer charges retail customers for similar nonwarranty service work"

Insert "[THE RATES IN] the schedule of compensation **may not contain**

**(1) rates** [MAY NOT BE] less than the rates that the new motor vehicle dealer charges retail customers for similar nonwarranty service work; **and**

**(2) time allowances less than time allowances provided in independent labor time guides**"

REPRESENTATIVE VANCE objected for the purpose of discussion.

CHAIR MCCABE explained that Amendment 1 would synchronize the rates and time allowances for manufacturers and dealers aligning them with recognized independent labor time guides. He gave examples of timelines for actual vehicle labor. He further noted the legislature's involvement in the issue six years ago and stated that "maybe it is time to fix this."

[2:09:17 PM](#)

REPRESENTATIVE MINA asked how the amendment would change what is currently in the bill.

CHAIR MCCABE explained that the amendment would establish the use of a non-partisan guide for the amount of time it takes technicians to do a job.

[2:11:24 PM](#)

REPRESENTATIVE STUTES said she liked the amendment and recognized that six years ago, it was agreed upon by manufacturers and dealers that they would address the issue if the legislature had passed the bill.

[2:12:03 PM](#)

REPRESENTATIVE MINA requested an opinion from the bill sponsor on the amendment.

[2:12:29 PM](#)

DAVID GOFF, Staff, Representative Frank Tomaszewski, Alaska State Legislature, on behalf of Representative Tomaszewski, prime sponsor of HB 233, addressed Representative Mina and offered his belief that the amendment was positive. He gave an example of an independent shop setting its own hours, and with the proposed amendment, there would be a criteria for setting hours.

CHAIR MCCABE noted the "fluctuations out there" and that he sought a way to have more discussion on the issue. He reiterated that the amendment would require the use of an outside estimator for the time that work takes. He welcomed more comments on Amendment 1 from committee members.

[2:15:16 PM](#)

REPRESENTATIVE MINA asked the bill sponsor about other states that have passed the law and whether they required reimbursement based on independent time guides only.

MR. GOFF replied that he had not done research about a set criteria, but it was a standard to which he was referred.

[2:16:17 PM](#)

CHAIR MCCABE gave an example of independent estimating on a particular job and quoting the customer. He noted that is industry practice in many businesses, and estimating is "an art." He opined it was important to have an independent person doing the estimating.

[2:17:18 PM](#)

REPRESENTATIVE MINA acknowledged that there was frustration with the manufacturer's time guide testing and inquired about the success rate with an independent time guide.

CHAIR MCCABE responded that he did not know the answer. He noted that Mr. Nichols was online and could address the question.

[2:18:18 PM](#)

LESTER NICHOLS, Board Member, Alaska Automobile Dealer's Association, briefly explained how manufacturers compute job hours. When it came to the independent labor time guide, he said he did not have a statistic to clearly answer the inquiry due to there being a wide variety of skill levels in the industry. He added that they are looking for time guides that are achievable and compatible with the skill level of the technician. He opined that the independent time guides are much more realistic.

[2:21:18 PM](#)

REPRESENTATIVE VANCE removed her objection to the motion to adopt Amendment 1. There being no further objection, Amendment 1 was adopted.

REPRESENTATIVE VANCE moved to adopt Amendment 2 to HB 233, labeled 33-LS1042\A.1, Gunther, 4/20/24, which read as follows:

Page 2, following line 4:

Insert a new bill section to read:

**"\* Sec. 4.** AS 45.25.300 is amended to read:

**Sec. 45.25.300. Unfair practices.** A manufacturer may not

(1) require, coerce, or attempt to coerce a new motor vehicle dealer to change the location of the new motor vehicle dealership or to make any substantial alterations to the new motor vehicle dealership premises or facilities if the alterations would be unreasonable or if there is not expected to be a sufficient supply of new motor vehicles to justify the change of location or the alterations because of market and economic conditions; this paragraph does not apply to alterations that are necessary to comply with health or safety laws; in this paragraph, "substantial alterations" does not

include erecting signs subject to the manufacturer's intellectual property rights, doing interior painting that is necessary to keep a new motor vehicle dealer facility in an attractive condition, or performing routine maintenance;

(2) require a new motor vehicle dealer to purchase or include in inventory a predetermined number or percentage of certified pre-owned motor vehicles or lease return motor vehicles;

(3) except because of reasons beyond the manufacturer's control, refuse or fail to deliver or offer for sale in reasonable quantities to a new motor vehicle dealer holding a franchise for a line make of new motor vehicles sold or distributed by the manufacturer a new motor vehicle, part, or accessory, if the new motor vehicle, part, or accessory is being delivered to other new motor vehicle dealers; this paragraph does not apply to limited edition or limited release vehicle parts or accessories;

(4) require a new motor vehicle dealer to purchase unreasonable advertising displays or other materials or an unreasonable number of signs;

(5) require a new motor vehicle dealer to order or accept delivery of a new motor vehicle, part, accessory, piece of equipment, promotional material, display device, display decoration, or other item that is not otherwise required by law and that the new motor vehicle dealer does not voluntarily order; this paragraph does not apply to safety and emissions recall campaign parts or to a motor vehicle feature, part, accessory, or other component required by federal law, the law of this state, or local law;

(6) coerce, attempt to coerce, or require a new motor vehicle dealer to

(A) join, contribute money to, or affiliate with an advertising association; or

(B) participate monetarily in an advertising campaign; [OR]

(7) increase the price of a new motor vehicle that the new motor vehicle dealer has ordered from the manufacturer and for which there exists at the time of the order a bona fide sale to a retail or fleet purchaser if the dealer submitted the order to the manufacturer before the manufacturer provided the new motor vehicle dealer with an official written price increase notification; or

(8) recover the manufacturer's costs for compensating a new motor vehicle dealer for warranty work by reducing the amount due to or imposing a separate charge, surcharge, administrative fee, or other similar cost on the new motor vehicle dealer; this paragraph does not prohibit a manufacturer from increasing the price of a new motor vehicle or changing a schedule of compensation in the ordinary course of business."

Renumber the following bill section accordingly.

CHAIR MCCABE objected for the purpose of discussion.

REPRESENTATIVE VANCE pointed out the bolded lines on page 2 and noted that the legislature's first duty is to protect Alaskans, and that she did not want to see any punitive fees imposed. She requested that Mr. Goff further explain the impacts.

[2:22:42 PM](#)

MR. GOFF noted other states that have put in this addition to their law because of the rise in prices for that particular state. Increasing prices or changing schedules in the ordinary course of business is fine, he said, but not singling out the state of Alaska for additional charges. Putting this language in the bill would eliminate that.

[2:23:50 PM](#)

CHAIR MCCABE removed his objection.

REPRESENTATIVE SUMNER objected.

A roll call vote was taken. Representatives Mina, C. Johnson, McKay, Vance, Stutes, and McCabe voted in favor of Amendment 2 to HB 233. Representative Sumner voted against it. Therefore, Amendment 2 to HB 233 was adopted by a vote of 6-1.

[2:25:10 PM](#)

REPRESENTATIVE SUMNER offered his belief that the adopted Amendment 1 was an improvement but inquired about the selection process of the independent time guide.

CHAIR MCCABE said he suspected that the manufacturers and dealers would have to come to an agreement on which time guide

they would use. He noted he could have put a descriptor in the bill but did not want to make it overly complicated; therefore, it would be left to the industry to decide.

REPRESENTATIVE SUMNER noted that he had no objections or concerns for other amendments.

[2:26:41 PM](#)

REPRESENTATIVE C. JOHNSON mentioned testimony being one-sided and that there was not much heard from manufacturers. He added that he was concerned to not hear both sides of the story and why the manufacturers have not been more active regarding the issue.

CHAIR MCCABE explained that there are individuals waiting online for public testimony and most are manufacturers.

[2:27:53 PM](#)

REPRESENTATIVE STUTES reiterated that six years ago, the manufacturers asked the legislature to get involved.

[2:28:34 PM](#)

REPRESENTATIVE SUMNER noted hearing substantial testimony from manufacturers in the House Labor and Commerce Standing Committee.

[2:28:47 PM](#)

CHAIR MCCABE opened public testimony on HB 233.

[2:29:29 PM](#)

ANDREW STRITZ, representing self, testified during the hearing on HB 233 and spoke to technician retention and how the bill would help. He noted that technicians come and go, which affects service advisors and negatively impacts their paychecks as well. He pointed out that third party contracts use the same exact labor guides that he would use to approve for repairs.

[2:31:42 PM](#)

JADE KINCAIDE, representing self, testified in support of HB 233 and shared that she was new in her career as a technician. She stressed that the difference between warranty times and third-

party times was discouraging to her, and the difficulty getting close to the warranty times given by the manufacturer is physically taxing, she said. She opined that the passage of HB 233 would afford her as a technician to further progress in the field and have a better quality of life by compensating technicians fairly.

[2:32:50 PM](#)

WILLIAM SIMMONS, representing self, testified in support of HB 233. He said he is a flat rate technician, and he shared how his hours and pay were calculated. With the manufacture pay scale, he explained, he hit the times "zero percent" of the time, but with third party contracts and labor guides he was at 80 to 90 percent. He noted it was taxing on his motivation to continue in a dealer setting, and he asked for proper compensation.

[2:33:58 PM](#)

PHILIP GINTER, representing self, testified in support of HB 233. He shared that he is a lead technician, and he opined that the bill would have positive effects on coworkers and customers. He related that staff did not want to be sent out to manufacturer training to perform warranty repairs, as they know they can receive better pay performing the same repairs on vehicles out of warranty. He emphasized that intensive repairs should not be rushed to keep up with the cost.

[2:35:48 PM](#)

LUCAS KINCAIDE, representing self, testified in support of HB 233. He noted that he is a master technician, and he explained they have been operating on two sets of rules for too long. The playing field should be operating fairly and there should be an agreement that the manufacturer can pay the same as the Alaska consumer pays, he said. He gave an example of an engine job and the times allotted by the manufacturer being unrealistic. He thanked the committee for its time and support.

[2:38:17 PM](#)

CARRIGAN GRIGSBY, Executive Vice President, Avis Alaska, offered an anecdote from a fleet owner and offered his belief that the bill would help get cars back on the road faster. He gave examples of labor and hours paid for particular repair jobs and

all the logistics involved in "messaging with the operation" and actual pricing of rental cars.

[2:40:36 PM](#)

DAVID BRIGHT, Staff Franchise Attorney, Alliance for Automotive Innovation, testified in opposition to HB 233 and stated that he was confident that the guides and the processes work. He said compromises are drafted to put into Alaska franchise law, to which he provided examples. He opined that the bill would require payment for hours that are not worked and require payment under a flat rate guide. He noted that technicians would not be getting more compensation, and he asked the committee to hold the bill.

[2:44:16 PM](#)

CHAIR MCCABE highlighted a line from Section 2 of HB 233, beginning on line 10, and he remarked that it opened the door for conversation. The language read as follows:

(c) Unless otherwise agreed to by the manufacturer and the new motor vehicle dealer, the rates and time allowances in the schedule of compensation may not be less than the rates and time allowances that the new motor vehicle dealer charges retail customers for similar nonwarranty service work.

[2:44:49 PM](#)

DAN CARTER, Manager, Labor Time Activity, General Motors, testified in opposition to HB 233. He offered examples on how labor times were developed by General Motors as well as the third-party estimating companies and their impact. He opined that third party companies do not perform studies to the depth that manufacturers do, and that they are partisan. The practice of adding time is driving the industry to expect to bill more hours to customers than time spent actually repairing the car, he said. He questioned what the Alaska consumer gets and whether the "Alaska Automobile Repair Act" was being followed.

[2:48:20 PM](#)

REPRESENTATIVE MINA asked for more explanation to Mr. Carter's statement that allowances were included for real world factors.

MR. CARTER explained the percentages involved in factoring in variations to repair jobs.

REPRESENTATIVE MINA pointed out that the majority of testimony expressed concern about factors that are specific to Alaska, such as the cold weather impact on cars. She asked whether any of these factors are integrated in Mr. Carter's real-world factors.

MR. CARTER acknowledged that there are a lot of factors specific to regions but said there is nothing specific to Alaska.

[2:50:12 PM](#)

CHRIS GILKER, Technical Quality Manager, Volkswagen of America, related that he was a technician for years; therefore, he could speak to the topic and wished to state for the record that he rarely lost time performing Volkswagen warranty repairs. He said he averaged 120 percent efficiency on warranty work, and he noted the differences in tools used by dealer technicians that can speed up a repair. He opined that the bottom line is that the Alaska consumer would be hurt.

[2:53:03 PM](#)

REPRESENTATIVE SUMNER asked whether there were franchise fees or advertising spending requirements. He offered his opinion that the adopted Amendment 2 may interfere with some of that.

MR. GILKER responded that that was outside his area of expertise.

CHAIR MCCABE pointed out that Alaska consumers are already being hurt, as there are dealers closing down rapidly because they can't keep mechanics or make enough money.

[2:54:36 PM](#)

JEFFERY HARBAUGH, Manager, Regional Customer Service Operations, Toyota Motor Sales, said he worked with Toyota for over 40 years and was a technician but now oversees warranty administration, policy, and procedures in addition to other areas. He recognized that dealers were concerned about the fairness of warranty reimbursement allowance but said it varies from manufacturer to manufacturer. He gave examples of Toyota's practices and said that when "push came to shove" and problems cannot be addressed at a high level, then he gets involved, and

many times the additional pay that dealerships requested was approved by Toyota. He further noted his support for dealers and that they keep customers coming back for service and generate revenue for the dealerships.

[2:58:24 PM](#)

THOMAS LAWSON, Government Affairs Regional Manager, Ford Motor Company, testified in opposition to HB 233 on behalf of Ford Motor Company. He noted after-market labor time guides not being relevant and he underscored that there is nothing in the bill that would guarantee higher wages for technicians. He gave Ford-specific examples of labor time guides. He noted he would take time to review the amendments [adopted] earlier and reiterated that his company was opposed to HB 233. He thanked the committee for its time and offered to answer questions.

[3:00:56 PM](#)

REPRESENTATIVE STUTES asked whether Ford's time guide was available publicly.

MR. LAWSON replied that he was not sure the time guide was public, but he noted a publicly available video that highlighted how Ford developed its time.

REPRESENTATIVE STUTES asked whether there was a reason the time guide was not publicly available.

MR. LAWSON said he would follow up.

[3:02:02 PM](#)

NICOLINA HERNANDEZ, Regional Director of State Government Affairs, Toyota Motors North America, echoed former comments given by other manufacturers and added that there have been deep dives into data that she could share. The data showed that dealers are beating their time guides in Alaska and similarly situated states. Dealers can request adjustments to their time guides, and she noted that it was not common. She stated she wished for dealers in Alaska to be successful and that she was sympathetic to the work force challenges. She recognized that at the end of the day, there would not be a guarantee that compensation would be increased due to the change.

[3:03:48 PM](#)

REPRESENTATIVE STUTES asked Ms. Hernandez whether the time guide was publicly available.

MS. HERNANDEZ said she could provide an answer at a later date.

[3:04:27 PM](#)

CHAIR MCCABE, after ascertaining no one else wished to testify, closed public testimony on HB 233, as amended.

CHAIR MCCABE asked for the will of the committee.

[3:05:15 PM](#)

REPRESENTATIVE SUMNER wished to hold the bill as he had concerns surrounding Amendment 2.

[3:05:30 PM](#)

CHAIR MCCABE thanked everyone for attending and stressed that a resolution needed to be found.

[HB 233, as amended, was held over.]

[3:06:00 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 3:06 p.m.