

SENATE FINANCE COMMITTEE
January 29, 2024
9:02 a.m.

9:02:05 AM

CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Donny Olson, Co-Chair
Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Senator Cathy Giessel; Joe Hayes, Staff to Senator Scott Kawasaki; Griffen Sukkaew, Staff for Sen. Kawasaki; Valerie Rose, Fiscal Analyst, Fiscal Note Coordinator, Legislative Finance Division; Deb Etheridge, Division of Public Assistance, Department of Health.

PRESENT VIA TELECONFERENCE

Sean Vinck, Associate General Counsel, Turo Inc., Teleconference; Carrigan Grigsby, Executive Vice President, Avis Alaska; Amy Bos, Net Choice, Washington D.C.; Robert Singleton, Chamber of Progress, Santa Cruz, CA; Trevor Consoliver, Assistant Attorney General, Oil and Gas Section, Department of Law; Tyndall Ellis, Chugach State Park Citizen Advisory Board, Anchorage; Dennis Hull, Americans for Tax Reform, Anchorage; Nicole Stewart, Self, Fairbanks; Brandon Spanos, Acting Director, Tax Division, Department of Revenue; Marge Stoneking, Associate Director of Advocacy, American Association of Retired Persons, Anchorage.

SUMMARY

SB 127 TAXATION: VEHICLE RENTALS, SUBPOENAS

SB 127 was heard and HELD in Committee for further consideration.

SB 170 EXTEND SENIOR BENEFITS PAYMENT PROGRAM

SB 170 was heard and HELD in Committee for further consideration.

#sb127

SENATE BILL NO. 127

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

[9:02:40 AM](#)

Co-Chair Olson recounted that the bill had been heard in committee the previous week. He noted that there would be two additional invited testifiers, after which the committee would hear public testimony.

[9:03:16 AM](#)

SEAN VINCK, ASSOCIATE GENERAL COUNSEL, TURO INC., TELECONFERENCE (via teleconference), commented that the legislation had been considered before, and wanted to offer two observations. He addressed the tax rate, and believed that the rate that should apply to peer-to-peer (P2P) car rentals should be different than the rate applied to commercial car rentals. He thought there were additional advantages that car rentals enjoyed in the state, such as vehicle license fees, which were not available to peer-to-peer car sharing hosts. He pointed out that the rental car industry was allowed to purchase rental vehicles without having to pay sales tax in jurisdictions in Alaska. He proposed that there should be a preferential lower tax rate for P2P car sharing, in recognition of the advantages available to car rentals and not P2P car sharing.

Mr. Vinck addressed the provision of the bill that allowed for retroactive application of a tax, which if enacted, imposed a new duty of peer-to-peer car sharing platforms.

The tax would be collected to remit to the state on transactions. He asserted that basic principles of fairness and law suggested that the provision should apply on a prospective rather than retroactive basis.

Co-Chair Hoffman recounted that the previous week he had queried the Department of Law about any differentials that might exist in other states. The department had indicated that there were minimal, if any. He referenced a rate sheet. He asked if Mr. Vinck could address differing rates.

[9:06:18 AM](#)

AT EASE

[9:09:36 AM](#)

RECONVENED

Co-Chair Olson noted that the document referred to by Co-Chair Hoffman was entitled "Rental Car & P2P Car Sharing Tax Comparison" (copy on file) and had been distributed to members.

Co-Chair Hoffman reiterated that he asked Mr. Vinck to address the issue of if there were differences in tax rates between rental car companies and car sharing entities.

Mr. Vinck looked at the chart on the document, and explained that jurisdictions in the country that had begun to regulate P2P car sharing differentiated the tax rate between it and typical car rental businesses. He used the example of the state of Oklahoma, where rental cars enjoyed the benefit of no tax on P2P car sharing transactions. He noted that in Oklahoma, rental car companies had the benefit of purchasing vehicles without paying sales tax. He mentioned the state of Arizona, where rental car taxes were abated for P2P car sharing. Arizona also exempted car rental companies from sales tax on vehicle purchases. He mentioned that Illinois had exempted P2P car sharing from the state automobile rental occupation tax as well as county and municipal auto rental occupation taxes.

Mr. Vinck continued to reference examples in other states. He noted that generally P2P car sharing paid sales tax on vehicle purchases while car rentals did not. Generally, the states that had begun to address P2P car sharing had recognized the difference between the two industries and

had reflected that difference in a lower tax rate applicable to P2P car sharing.

[9:12:46 AM](#)

Senator Kiehl asked Mr. Vinck to discuss whether the states he mentioned had the marketplace facilitator collect and remit the tax, or if it was on the original car share owner.

Mr. Vinck thought just about every state had imposed a marketplace facilitator. That facilitator used a platform and transferred the obligation from the owner of the car to the platform.

Senator Kiehl understood that the bill would address the issue. He noted that Alaska had no state sales tax. He asked Mr. Vinck to discuss the advantage or disadvantage an individual car share business owner would have relative to a traditional car rental owner in Juneau when it came to business personal property tax.

Mr. Vinck was not familiar with the Juneau personal property tax. He thought the municipal sales tax in Juneau was not applicable to rental car businesses' acquisition of vehicles.

Senator Kiehl thought that the City and Borough of Juneau exempted the first \$100,000 of business and personal property from paying the property tax. He considered that a traditional rental car company with a sizable fleet paid on almost everything it had while the individual car owner paid next to nothing for the tax. He thought there was a comparable dynamic at the state level with corporate income tax for oil and gas companies. He asked Mr. Vinck if he recalled what the rate traditional car rental companies paid to the state in corporate income tax.

Mr. Vinck was not familiar with corporate income tax, and noted that his comments were in relation to the transactional sales tax that the consumer paid.

Senator Kiehl thought the amount was higher than 9 percent, and a car share owner would not pay the tax.

Senator Wilson wondered how many individual Turo accounts were in the state.

Mr. Vinck did not have the number available but agreed to follow up with the committee at a later time.

[9:16:06 AM](#)

CARRIGAN GRIGSBY, EXECUTIVE VICE PRESIDENT, AVIS ALASKA (via teleconference), explained that Avis was a family employee-owned company with multiple locations in the state. He wanted to clarify that the law clearly required a person that rented a car in Alaska to pay the Car Rental Tax. He posited that the bill as written would require the business owner to pay the tax instead of the renter. He cited that Avis Alaska submitted millions of dollars of tax revenue every year, but remitted the tax from the renter instead of paying it themselves. He thought there was a growing issue of personal car rentals with no tracking mechanism. He emphasized that the renter of the P2P cars would be paying the tax. He assumed a large majority of P2P car renters would not realize they owed the tax.

[9:19:42 AM](#)

Mr. Grigsby asserted that there was a matter of fairness to consider. He thought there was up to 198 companies listed in the Municipality of Anchorage with "mom and pop" car rental companies. He thought the companies would be at a disadvantage when Turo companies could offer cheaper rates. He pointed out that most rental companies did not purchase vehicles in Juneau and added that Avis paid a big tax yearly.

Co-Chair Hoffman commented that there were obviously flaws in the original bill, which was why the committee was looking at the current bill by Senator Claman. He thought the original bill may not have been small business friendly. He referenced spreadsheets that showed which states that had been small business friendly. He commented that maybe the committee should consider doing what other states had done.

Co-Chair Stedman wanted to address a broader concept. He commented on the small road system in the state and the use of the Alaska Marine Highway System in Southeast. He noted that many of his constituents could not bring a car to Juneau when coming to go shopping. He thought the situation was not dissimilar to other areas of the state. He wanted

to look into what the state collected from citizens for the rental tax. He considered not collecting rental tax for those that did not have the option of bringing a car.

[9:24:18 AM](#)

Co-Chair Olson OPENED public testimony.

[9:24:27 AM](#)

AMY BOS, NET CHOICE, WASHINGTON D.C. (via teleconference), spoke in opposition to the bill. She explained that Net Choice was a Washington, D.C. trade association, which encouraged the committee to oppose the legislation. She discussed support for car-sharing platform companies such as Turo and Get Around, which helped people supplement income. She explained that Net Choice viewed the bill as problematic as it failed to take into account that traditional rental car companies enjoyed discounts and sales tax exemptions on purchases and were also allowed to pass costs on to customers. She contended that P2P car sharing companies did not enjoy the same benefits and would be put at a disadvantage. She thought the bill opened up the door for the Department of Revenue (DOR) to go after back taxes for locals engaged in P2P car sharing. The organization would welcome further clarification to ensure the legislation did not apply retroactively. She urged the committee not to advance the legislation.

Senator Kiehl asked if Ms. Bos could point to the statute that would stop a car share owner from including costs such as licensing in the price.

Ms. Bos was not aware of anything in Alaska law that would stop the owner from doing so.

[9:27:02 AM](#)

ROBERT SINGLETON, CHAMBER OF PROGRESS, SANTA CRUZ, CA (via teleconference), testified in opposition to the bill. He explained that Chamber of Progress was a technology industry coalition that promoted technology's progressive future. He asserted that the bill would hinder competition and limit consumer choice when it came to rental car options. He encouraged the committee to consider an alternative regulatory framework that gained support from the incumbent rental car industry and P2P car sharing

companies. He mentioned proven environmental and economic benefits, encouraging more efficient use of personal vehicles to result in less need for ownership, garages, and storage. He pointed out that P2P would help individuals earn more funds to assist with the rising cost of living. He summarized that P2P car sharing options could help users with access to important services.

Mr. Singleton continued his remarks. He opposed the retroactive taxation provision. He thought the bill would result in a disproportionate burden on P2P companies, which would be treated similarly to traditional car rental companies with regard to taxation but without the additional benefits. He urged the committee to adopt a compromise regulatory framework that the stakeholders had agreed on through a consensus model.

Senator Kiehl considered the Version U Committee Substitute passed from the Senate Transportation Committee. He did not see a retroactivity clause for the duty to collect and remit for marketplace facilitators.

Mr. Singleton was not certain of an answer. He was generally opposed to having retroactive taxes.

Senator Kiehl noted that it was possible to do retroactive taxes, but it must be done explicitly, and he did not see it in the bill.

Co-Chair Hoffman believed the testifier had indicated that the current situation was that taxes were due but had not been collected, so DOR was retroactively seeking to collect the taxes. He thought the matter needed to be clarified and that the committee should amend the bill to prevent the department from collecting the taxes retroactively.

Senator Kiehl noted that there was some limitation on seeking retroactive taxes from the vehicle owner. He thought that there was nothing in the bill that would allow the department to retroactively seek taxes from the marketplace facilitator.

Chair Olson asked if Senator Kiehl indicated that he wanted to hear from the Department of Law.

Senator Kiehl thought it would be great to hear a perspective from the Department of Law.

[9:31:51 AM](#)

AT EASE

[9:32:03 AM](#)

RECONVENED

TREVOR CONSOLIVER, ASSISTANT ATTORNEY GENERAL, OIL AND GAS SECTION, DEPARTMENT OF LAW (via teleconference), introduced himself and asked Senator Kiehl to repeat the question.

Senator Kiehl understood that the current bill placed a limit on retroactively collecting tax from a vehicle owner but thought there was nothing to allow DOR to retroactively collect tax from a marketplace facilitator such as Turo or Get Around. He asked if Mr. Consoliver interpreted the bill to allow DOR to retroactively collect tax from a marketplace facilitator.

Mr. Consoliver believed Senator Kiehl's analysis was correct. He thought Section 4 of the bill only allowed the Department of Law to go back and collect the existing taxes from vehicle owners and did not retroactively apply to the vehicle rental platforms.

[9:33:46 AM](#)

TYNDALL ELLIS, CHUGACH STATE PARK CITIZEN ADVISORY BOARD, ANCHORAGE (via teleconference), spoke in support of the bill. He relayed that the Chugach State Park Citizen Advisory Board was a 15-member board, and members all lived in the Anchorage area. He understood that vehicle owners already owed the tax, however the state was unable to identify the owners. He asserted that the Vehicle Rental Tax was very important to state parks and made up almost half of the Alaska State Parks operating budget and had been close to \$5 million the previous year. He recounted that Vehicle Rental Tax dollars that were left over were often appropriated by the legislature to Alaska State Parks to deal with deferred maintenance, which was about \$90 million and growing. He thought a tax from vehicle rental platforms was a step in the right direction.

[9:36:12 AM](#)

DENNIS HULL, AMERICANS FOR TAX REFORM, ANCHORAGE (via teleconference), testified in opposition to the bill. He

relayed that Americans for Tax Reform was a national taxpayer advocacy group. He shared concern about retroactive tax collection. He recommended that the bill include clear language that indicated to DOR or any other agency from collecting taxes for years prior to the enacting of the bill. He urged the committee to tailor the legislation around the differences between traditional car rental business and car sharing models, which he believed should be treated differently under state law. He referenced HB 90 [legislation from 2021 related to vehicle rental taxes and fees], which provided for a lower tax rate of 5 percent for car sharing individuals.

Mr. Hull seconded Co-Chair Stedman's suggestion that the state eliminate the car rental tax outright. He thought DOR had only collected \$10 million on average for rental taxes over the previous four years. He supported slashing taxes for all participants. He spoke of the importance of the car sharing industry.

[9:38:35 AM](#)

NICOLE STEWART, SELF, FAIRBANKS (via teleconference), spoke in opposition to the bill. She relayed that she was a Turo owner. She referenced earlier comments and supported the comments of the Avis representative and the general counsel of Turo. She pondered that any collection of retroactive taxes would be extremely problematic. She thought there should be collaboration to contribute to the state and state parks.

Ms. Stewart pointed out the importance of Turo in the state. She referenced recent minus temperatures and noted that many people with rental vehicles had been stuck around town due to lack of winterization. She noted that Turo owners were familiar with the climate and had vehicles with snow tires. She mentioned heavy snowfalls in Anchorage and the need for safer vehicles.

[9:41:41 AM](#)

BRANDON SPANOS, ACTING DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), conveyed that he was available for questions.

Co-Chair Stedman asked if Mr. Spanos could assist the committee with bifurcating the tax and determine how much

tax was paid by the residents and non-residents when renting cars.

Mr. Spanos suggested that the Department of Law address Co-Chair Stedman's question. He shared concern about the commerce clause issue. He noted that taxes could not apply differently to residents and non-residents. He did not have the information requested. He noted that car rental companies collected the tax directly from customers and could have more information, while the department received the funding and number of rentals only.

Mr. Consoliver thought that the commerce clause could be a potential concern. He requested to follow up with the committee at a later time.

[9:44:00 AM](#)

Co-Chair Hoffman thought there were several examples of disparity of taxes. He mentioned exemptions for senior citizens, and a disparity for many types of licenses. He used the example of fishing licenses, for which residents paid less. He asserted that it was not uncommon for the state to have a differential for different classes of people. He did not support the argument.

Senator Wilson thought the purpose of the bill was to go after small car rental companies or companies with a used car fleet using Turo to avoid state taxes. He asked if there was a way to separate the bill in order to go after larger businesses rather than individual Alaskans.

Mr. Spanos could not speak to the purpose of going after any group, and did not think the administration held any position to do so. He noted that the department's position was that tax was due, and it had an obligation to collect the tax from the vehicle owners, whether it be a business or an individual. He thought as the bill was written, it would limit the department's ability to do so. Under current statute, if an individual did not file a tax return, there was no statute of limitations and the collection could go back ten years.

Senator Wilson relayed that he would follow up with the bill sponsor and perhaps the department.

[9:46:48 AM](#)

Co-Chair Olson CLOSED public testimony.

Co-Chair Olson set an amendment deadline for the following Thursday at 5 o'clock.

SB 127 was heard and HELD in Committee for further consideration.

[9:47:03 AM](#)

AT EASE

[9:49:34 AM](#)

RECONVENED

#sb170

SENATE BILL NO. 170

"An Act extending the Alaska senior benefits payment program; and providing for an effective date."

[9:49:39 AM](#)

Co-Chair Olson relayed that it was the first hearing for SB 170.

[9:50:01 AM](#)

JOE HAYES, STAFF TO SENATOR SCOTT KAWASAKI, read from a Sponsor Statement (copy on file):

Senate Bill 170 would extend the Senior Benefits program to 2032, ensuring another eight years of support for low-income seniors across Alaska. The successor to the Longevity Bonus created in 1972, the Senior Benefits Program would end in June 2024 without legislative action.

The Senior Benefits Program protects low-income seniors by providing them with modest monthly cash assistance to pay for expenses like food, heating, electricity, transportation and prescription medication. The program was established in 2007 and currently aids nearly 9,000 Alaskans aged 65 and older with incomes at 75, 100 and 175 percent of federal poverty level. Subject to appropriation from the

Alaska State Legislature, assistance can range from \$76 to \$250 a month for eligible seniors.

In September 2017, the House Health and Social Services Committee held a statewide listening session for Senior Benefit recipients and their advocates. Hundreds of Alaskans spoke of the need to preserve this program to enhance their way of life. This program protects seniors who have spent a lifetime building our great state. It lends a hand to low-income seniors who need assistance to help make ends meet.

Terminating this program would put thousands of seniors at risk of losing their means for maintaining a healthy lifestyle. I respectfully request your support to continue this vital program.

Co-Chair Hoffman thought the arguments Mr. Hayes made were quite valid and that the program needed to be extended. He suggested that instead of delaying it for another six years, the committee might want to put a period on line 7 after the word "repeal," in order to make the program permanent. He understood that the bill was put into place as a replacement program.

Mr. Hayes thought Co-Chair Hoffman had an excellent idea. He noted that Senator Kawasaki had been a sponsor of the bill in 2017, and would support extending the program fully.

Senator Wilson wondered if the bill could clean up the statute. He thought there were dueling statutes between the Longevity Bonus and the Senior Benefits Program.

Mr. Hayes did not believe the sponsor would have any issue with Senator Wilson's suggestion.

[9:54:28 AM](#)

GRIFFEN SUKKAEW, STAFF FOR SEN. KAWASAKI, addressed a Sectional Analysis (copy on file):

Page 1, line 7
Deletes "2024" and replaces with "2032"
Page 1, Line 8

The Act takes effect immediately under AS 01.10.070(c).

Mr. Sukkaew relayed that as of December 2023, the program aided more than 10,000 Alaska seniors aged 65 and older. The benefit was based on income at 75 percent, 100 percent, and 175 percent of the federal poverty level. By statute, those that qualified received benefits ranging from \$125 to \$250 per month subject to legislative appropriation. Because of constrained budget in recent years, the highest tier currently received \$76 per month instead of \$125 per month. Qualifying seniors must be residents of the state, a citizen of the United States, or a qualified alien and could not be incarcerated at a private or public institution or a resident of a nursing home, Pioneer Home, or Alaska Veteran's Home.

Mr. Sukkaew continued that income eligibility was based on gross annual income before taxes. Assets were not counted towards income. He cited the number of participants in the program, and noted that more figures were in the document entitled "Senior Benefits Fact Sheet" (copy on file). He asserted that the program had a long bipartisan history of protecting seniors who had spent a lifetime building the state.

[9:57:16 AM](#)

VALERIE ROSE, FISCAL ANALYST, FISCAL NOTE COORDINATOR, LEGISLATIVE FINANCE DIVISION, spoke to a fiscal note from the Department of Health, OMB Component 2897. Beginning in FY 25, the department would be funded at a level that would allow them to provide full funding of the benefits as allocated in statute to the three-tiered income levels. She reiterated that in recent years the highest-level tier had been funded at \$76 per month rather than \$125 per month, although the other tiers had been funded at the amount allocated in statute.

Co-Chair Hoffman asked about federal poverty limits, and asked if the limits took a cost-of-living allowance (COLA) into account.

Ms. Rose did not have the information.

Senator Kiehl asked if Ms. Rose could help with the discrepancy between the fiscal note and the department's

Senior Benefits fact sheet. He thought one identified about 140,000 participants a year, and one identified 11,000 participants per year.

Ms. Rose thought the question would be best addressed by the department.

9:59:59 AM

MARGE STONEKING, ASSOCIATE DIRECTOR OF ADVOCACY, AMERICAN ASSOCIATION OF RETIRED PERSONS, ANCHORAGE (via teleconference), explained that the American Association of Retired Persons (AARP) was a non-partisan, non-profit member organization serving the age 50-plus population. She relayed that AARP's purpose was to empower people to choose how they lived as they aged, and it had a strong commitment to protecting financial resilience for older adults. She identified that some seniors in the state needed assistance to remain independent. She noted that programs like the Senior Assistance Program helped seniors remain in their homes and communities and to stay out of more costly levels of care. She cited that those seniors that qualified for the largest senior benefit amount of \$250 per month could have income of no greater than \$1,139 per month.

Ms. Stoneking cited that in Alaska, the average Social Security retired worker benefit was \$1,485 per month. The older Alaskans most likely to benefit from an extension of the program were women. Historically the majority of the beneficiaries of the program were women, who earned less over the course of their lives, made up the majority of family caregivers, and often outlived male spouses. She discussed lower wage workers and the high cost of living in the state. She mentioned rural Alaska, and those that lived a subsistence lifestyle. The loss of the benefits program would hurt many older Alaskans living in remote areas of the state. She cited that the state's oldest citizens were the most likely to spend the most on increased healthcare costs, which could result in financial instability. She asserted that any loss of income to the senior population could result in loss of independence.

10:03:33 AM

DEB ETHERIDGE, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH, introduced herself.

Senator Kiehl wanted to clarify how many Alaskans benefited from the program. He thought the fact sheet showed one number of participants and the fiscal note showed another. He asked how many Alaskans were participating in the program.

Ms. Etheridge relayed that there were over 11,000 Alaskan seniors on the program.

Senator Kiehl mentioned the federal poverty level threshold and asked if the amount varied by the area of the state and cost of living.

Ms. Etheridge relayed that the federal poverty level was adjusted every year, and the Senior Benefit was then adjusted, but not necessarily by region.

SB 170 was HEARD and HELD for further consideration.

#

ADJOURNMENT

[10:05:26 AM](#)

The meeting was adjourned at 10:05 a.m.