

HOUSE FINANCE COMMITTEE
April 29, 2025
10:06 a.m.

10:06:02 AM

CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 10:06 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget, Office of the Governor; Cori Mills, Deputy Attorney General, Department of Law; Representative Will Stapp, Sponsor; Representative Kevin McCabe, Sponsor.

PRESENT VIA TELECONFERENCE

Deb Etheridge, Director, Division of Public Assistance, Department of Health; Brandon Spanos, Deputy Director, Tax Division, Department of Revenue.

SUMMARY

HB 14 REPEAL CATASTROPHIC ILLNESS/MED ASSIST

HB 14 was REPORTED out of committee with nine "do pass" recommendations and two "no recommendation" recommendations and with one previously published zero fiscal note: FN1 (DOH).

HB 123 TAXATION: VEHICLE RENTALS, SUBPOENAS

HB 123 was HEARD and HELD in committee for further consideration.

OVERVIEW: GOVERNOR'S AMENDMENTS BY THE OFFICE OF MANAGEMENT AND BUDGET

Co-Chair Josephson reviewed the meeting agenda.

^OVERVIEW: GOVERNOR'S AMENDMENTS BY THE OFFICE OF MANAGEMENT AND BUDGET

[10:06:57 AM](#)

Co-Chair Josephson asked Ms. Sanders to provide the presentation.

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a PowerPoint presentation titled "FY 2026 Governor Amended Budget," dated April 28, 2025 (copy on file). She began on slide 2 titled "Updated Fiscal Summary for FY 26." She indicated that the slide included a chart depicting a fiscal summary incorporating the recently submitted amendments for the FY 2025 supplemental items and the FY 2026 budget. It reflected the updated Spring Revenue Forecast that was released in March 2025. She highlighted that with the addition of the amendments; the Unrestricted General Fund (UGF) total deficit was \$165.1 million for FY 25 and an FY 26 budget deficit of \$1.649 billion.

Co-Chair Josephson asked about the number from "regular debt" for FY 25. Ms. Sanders replied that she would follow up on the question. She recalled that it was around over \$70 million.

Representative Stapp remarked that oil prices had been dropping every day since the Spring Revenue Forecast was released. He thought that it would be helpful to know a ballpark estimate of the deficit on top of its prior projection.

Ms. Sanders answered that she did not have the specific number on hand. She recalled that in conversations with the Department of Revenue (DOR) there were some refunds that came in higher than anticipated for FY 25, which kept the forecasted numbers stable. In addition, there were higher oil prices in the earlier part of the year contributing to the stability.

[10:10:46 AM](#)

Ms. Sanders moved to Slide 3 titled "Operating Governor's Amend Requests." She reported that there were three labor negotiations that had reached agreements. The first was within the Department of Labor and Workforce Development (DLWD) via a collective bargaining agreement between the state and the Alaska Vocational Technical Center Teachers Association (AVTECA). The contract represented a salary schedule realignment and 5 percent cost of living adjustment for its members. The second collective bargaining agreement involved the Department of Transportation and Public Facilities (DOT) between the state and the International Organization of Masters, Mates, and Pilots. Lastly, a collective bargaining agreement for the University of Alaska between the state and the United Academics Adjunct Faculty included a 2.75 percent increase for FY 26. The total of all three agreements was \$1.1 million UGF and other funding sources. In addition, there was an increase of \$3 million in Federal Receipt Authority within the Department of Labor and Workforce Development (DLWD). She explained that the increase in federal receipt authority allowed the Alaska Workforce Investment Board (AWIB) to receive a federal Department of Health and Human Services, Office of Refugee Resettlement's formula grant for Refugee Support Services. The grant was previously administered by Catholic Social Services. A recent change in federal guidance required the funds to be directed through a state agency. As a result, the DLWD will facilitate the grant award.

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Representative Tomaszewski asked how many more labor contract agreements were outstanding. Ms. Sanders answered that there were four outstanding agreements.

Co-Chair Josephson asked what four contracts were outstanding. Ms. Sanders deferred the answer.

CORI MILLS, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW, answered that the four ongoing union negotiations were: Inlandboatman's Union of the Pacific, Marine Engineers Beneficial Association, Alaska Public Employees Association (APEA), and the Confidential Employees Association (CEA).

Ms. Sanders turned to slide 4 titled "Operating Supplemental Requests." She reviewed the slide. She began with Fund Capitalizations and reported that on April 18, 2025, the state was notified by the Federal Elections Assistance Commission of a federal grant award for election security amounting to \$272.8 thousand and required a 20 percent state match of \$54,6 thousand from the General Fund (GF) capitalizing the Election Fund. She added that due to the requirements that the state agree to the grant's requirements by April 2025, it was proposed as a supplemental item. She moved to Special Appropriations that were comprised of FY 2025 Judgments, Claims, and Settlements. She listed the four settlements totaling \$364.4 thousand:

- Alaska Quality Care, LLC - \$40,000
- Bittner v. State of Alaska, Board of Game and Commissioner, Department of Fish and Game - \$6,109
- SEACC v. State of Alaska, Department of Natural Resources - \$364 (additional authority; \$68,586 included in 2-4-2025 supplemental request)
- State of Alaska, Department of Family & Community Services v. Z.C. - \$300,000

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Ms. Sanders advanced to Slide 5 titled "Capital Supplemental Requests." She noted the item noted on the previous slide related to the Fund Capitalization and the Capital Budget item appropriating the grant funding from the State Election Fund to the Division of Elections as required by the Help America Vote Act.

Co-Chair Josephson cited the outstanding collective bargaining agreements. He asked if the numbers would be known prior to conference committee. Ms. Sanders answered that the labor relations team continued to work on outstanding labor contracts to seek agreement to the terms.

As soon as the information was available, the Office of Management and Budget (OMB) would notify the legislature. Ms. Sanders could not speak to the timing of the conclusion of the negotiations.

Representative Galvin thought that the [budget] margins were slim. She recalled receiving a "placeholder number" for the agreements and asked for a high, middle, and low estimate for the outstanding agreements. Ms. Sanders stated that the conversations were confidential, and she did not have the information. Representative Galvin suggested the committee could have an offline conversation with the director of the Legislative Finance Division (LFD) to obtain a high number estimate in preparation of finalizing the budget.

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Representative Johnson inquired about adding 50 positions in DOT with receipt authority. Ms. Sanders asked for clarification. Representative Johnson recalled that the committee added 50 positions that would require federal receipt authority. Ms. Sanders replied that she was unaware and would follow up.

[10:23:01 AM](#)

AT EASE

[10:23:34 AM](#)

RECONVENED

Ms. Sanders would follow up on the five positions that were added.

[10:24:01 AM](#)

AT EASE

[10:24:19 AM](#)

RECONVENED

#hb14

HOUSE BILL NO. 14

"An Act repealing programs for catastrophic illness assistance and medical assistance for chronic and acute medical conditions."

[10:24:23 AM](#)

Co-Chair Foster asked the bill sponsor to introduce the bill.

[10:25:16 AM](#)

REPRESENTATIVE WILL STAPP, SPONSOR, noted that a similar bill had passed out of the committee and had passed the house nearly unanimously in the previous year. He reminded the committee that in the prior year the legislature defunded the Catastrophic Illness and Chronic or Acute Medical Conditions (CAMA) program because no Alaskans had applied for the program for many years. He cited the FY 2025 Midyear Status Report by the Legislative Finance Division for the Department of Health (DOH) that assessed how the departments were executing the current year's budget directives. He delineated that the question directed to the department was whether DOH had encountered any issues related to defunding the program. The agency responded that it had not encountered issues nor received any applications for assistance. He related that the program began in 1986 and was designed to bridge a gap for individuals who experienced a catastrophic event and were too young or could not qualify for Medicare and Medicaid. Medicaid expansion and other public assistance program changes since 1986 rendered CAMA null and void. Currently, Alaskans would likely "have better options on the federally facilitated marketplace" than under the CAMA program, thus the reason no Alaskans qualified for the program in the prior 3 years.

[10:27:30 AM](#)

Co-Chair Foster asked for a review of the fiscal note.

DEB ETHERIDGE, DIRECTOR, DIVISION OF PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH (via teleconference), reviewed the published zero fiscal note for DOH (FN1(DOH) allocated to Public Assistance Field Services. She read the analysis on page 2 of the fiscal note as follows:

Since the implementation of the Medicaid Expansion Group in 2015, most individuals now qualify for Modified Adjusted Gross Income (MAGI) Medicaid, eliminating the need for the Chronic and Acute Medical Assistance (CAMA) program. Currently, no one is using

the service, as its only eligible population—legal immigrants who do not meet the five-year residency requirement for Medicaid—can access alternative options through the federally facilitated marketplace. The Division can integrate the regulatory repeal of CAMA into regular updates with minimal impact on public assistance field services.

Co-Chair Foster asked what happened to the bill in the prior year. Representative Stapp answered that the bill had made it to the Senate Finance Committee in the previous year and ran out of time. The committee had not heard the bill. However, the deletion of the program's funding was maintained in the budget. He thought the legislature should pass the bill and carry on.

Representative Hannan stated the fiscal note showed that it cost nothing to cut the program. She asked if it saved any funding to cut the program. Ms. Etheridge responded that there had been a limited number of individuals who inadvertently applied for the program; nine had applied and were ineligible. The fiscal note reflected the very little change in the division's work. The program's elimination did not save or cost any money.

Co-Chair Foster asked for the will of the committee regarding moving the bill out of committee.

Representative Jimmie MOVED to REPORT HB 14 out of committee with individual recommendations and the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 14 was REPORTED out of committee with nine "do pass" recommendations and two "no recommendation" recommendations and with one previously published zero fiscal note: FN1 (DOH).

Representative Stapp thanked the committee.

#hb123

HOUSE BILL NO. 123

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

[10:32:15 AM](#)

Co-Chair Foster invited the bill sponsor to provide an explanation of the bill.

REPRESENTATIVE KEVIN MCCABE, SPONSOR, introduced the legislation. He thanked the committee for hearing the bill. He explained that HB 123 was about "fairness, clarity, and relief." The bill cut the rental tax for traditional vehicle rental companies and peer to peer rentals. The bill cuts the tax from 10 percent to 9 percent for all passenger vehicle rentals and cuts it even further to 7 percent for other vehicle rental platform companies such as Turo. He believed that it leveled the playing field for local entrepreneurs who rented out their vehicles. The legislation ended the tax collection by individuals and shifted it to vehicle rental platforms who must now collect and remit the tax. It protected vehicle rental platform company hosts by prohibiting collection of back taxes on pre-bill rentals, ending collection efforts from a time when the rules were "unclear." He believed that HB 123 supported small businesses, encouraged competition, lowered costs and fostered growth without raising new taxes. In addition, it "cleaned up a legal mess" that existed since 2018 and would replace confusion with clear rules that aligned with systems that were already working in places like Anchorage. He concluded that the bill ensured steady revenue and fairer rates and ended the current tax non-compliance. He characterized it as a win for all Alaskans. He thought that the bill provided a practical fix and welcomed the committee's support.

[10:35:21 AM](#)

Co-Chair Foster asked for a review of the two fiscal notes.

BRANDON SPANOS, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE (via teleconference), reviewed the published indeterminate fiscal note for the Department of Revenue (DOR) (FN1(REV) allocated to the Tax Division. He indicated that the division lacked the data from platform rentals to know how much a 7 percent tax would generate. However, the historic tax for traditional rentals was known and the revenue loss from 10 percent to 9 percent was displayed on page 2 of the fiscal note. He deduced that in order for the tax changes to be revenue neutral, vehicle rental platforms would need to have a market share of 12.5 percent but if

the share was greater than 12.5 percent, then the total change would generate revenue. He added that there were no implementation costs.

Co-Chair Foster alerted the committee that there was only one fiscal note.

Co-Chair Josephson asked for verification that DOR did not know how many vehicles were in operation under Turo. Mr. Spanos confirmed that the department did not know how many vehicles were rented through an online platform. Co-Chair Josephson asked if it was because Turo refused to provide the information. Mr. Spanos answered in the affirmative. He added that in a prior year DOR subpoenaed Turo for the information and they did not comply. The judge determined that DOR had the authority to subpoena the information but not to enforce it outside of Alaska. The language in the bill allowed the department to do so.

[10:38:23 AM](#)

Representative Stapp assumed that the department had to have some type of ballpark tracking by business licenses at the state level. Mr. Spanos replied that the department had looked at business licenses and had its criminal investigation unit try to determine who used the platform and had identified about a handful, but there were more than a handful of taxpayers renting their vehicles and the attempt was unsuccessful. Representative Stapp knew there were municipal governments in the state that had already implemented a similar tax and had a clear understanding of their revenues collected. He wondered whether they could base revenue off of municipal records. Mr. Spanos answered that the division had contacted the Municipality of Anchorage, who had testified that the information was confidential and could not share it. Representative Stapp clarified that he was asking for an analysis only of the amount of revenue collected. He thought that information was accessible and asked whether DOR used it.

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Mr. Spanos responded in the affirmative. He relayed that the department's economic research group had tried to extrapolate the information but did not feel comfortable using it, based only on the number and not the number of vehicles.

Representative Galvin asked if Alaska stood to lose \$1.74 million UGF if the bill passed and whether there was no idea of how much revenue Turo would bring to the state. She noted that Anchorage had an 8 percent vehicle rental tax. She asked if the 9 percent tax would apply on top of the municipal tax or replace the amount. Mr. Spanos asked for clarification. Representative Galvin believed the bill changed the 10 percent tax to 9 percent tax for a statewide vehicle rental. She asked if by adding Anchorage's 8 percent tax it would decrease from 18 percent to 17 percent. Mr. Spanos answered that currently there was an 18 percent rental tax in Anchorage; 10 percent was allocated to the state and 8 percent to the municipality, and the bill would decrease the total to 17 percent. Representative Galvin believed that the uncertainty was real and established that the state would lose \$1.74 million if the bill passed. They did not know if it would be replaced with the 7 percent tax on Turo. Mr. Spanos answered in the affirmative. They did not know how much the online 7 percent tax would generate.

[10:44:43 AM](#)

Representative Hannan cited the 12.5 percent market share estimate that would make the bill revenue neutral. She inquired whether Representative McCabe had any sense of the scale of peer to peer rentals in the state. Representative McCabe answered in the affirmative. He expounded that Turo was a private company and did not have to report the same information as a company listed on the stock exchange. The platforms were different than a regular rental car company. He shared that Turo informed him that the tax collected on cars rented in Anchorage would cover the loss of one percent state tax and everything outside of Anchorage would increase revenue. His idea with the bill was twofold; he wanted the subpoena powers provision and the provisions protecting Alaskans from tax collection on retroactively renting cars on Turo from the past ten years. The bill would protect those Alaskans. He felt that the situation was currently "a mess." The bill was his intent to solve the problem. He relayed that the bill had been vetoed the past year by the governor because he believed that it increased taxes on TURO. He clarified that the Turo owners already owed the tax. He viewed the bill as a revenue neutral tax cut.

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Representative Allard asked if the bill would promote more individuals wanting to be on the Turo platform because the state law would be clear. Representative McCabe answered in the affirmative. He believed that everything being done on the platform streamlined the process and encouraged more people to rent through it.

Representative Bynum noted that the bill encompassed any online rental platform. Representative McCabe responded in the affirmative. Representative Bynum indicated that currently the platforms had the ability to collect the tax, but the bill was necessary to provide the statute in order for them to collect it. Representative McCabe responded affirmatively. He stressed that the measure was necessary to solidify tax collection.

[10:51:09 AM](#)

Co-Chair Josephson referenced a statement by the bill sponsor that there was an agreement between various sectors of the car rental industry. Representative McCabe answered in the affirmative and elaborated that the parties had reached a "gentleman's agreement". He added that the major traditional rental car companies would not sue for equal protection. He reiterated that his sole purpose for sponsoring the bill was to protect Alaskans that had been renting through platforms and would not be subject to 10 years of back taxes. Co-Chair Josephson recalled that the previous bill was a 10 percent and 8 percent tax, and the current bill was 9 percent and 7 percent. Representative McCabe replied in the affirmative.

Representative Stapp thanked the sponsor for bringing the bill forward. He shared that he had examined the financial information from Anchorage's vehicle rental tax and discerned that a one percent reduction in the vehicle rental tax would be offset by the tax on rental platforms. He thought if they were going to have a tax structure it was necessary to think about how to treat different entities equally and having one similar entity not subject to a tax created an "artificial structure." He appreciated the bill.

[10:53:38 AM](#)

Representative Johnson had done some similar research. She strongly supported the bill. She felt it was fair, ending the confusion regarding taxes, and offered tax forgiveness. She cited a 2020 newspaper article about a 5 percent increase in vehicle rentals including platforms in Anchorage, which brought in \$760 thousand. She spoke to other municipal governments' experience collecting the vehicle rental tax. She deduced that the bill would create revenue and thanked the sponsor.

Representative Hannan agreed with Representative Stapp that the same tax should be equal for all entities in a sector. She thought perhaps they should extend it to the area of nicotine. She declared that she had been an advocate for a vehicle rental platform tax for years. She pointed to page 2 line 16 of the bill:

(c) A vehicle rental platform that arranged or executed more than 200 transactions in the state..

Representative Hannan requested confirmation on the record that the provision pertained to the platform having 200 transactions and not an individual vehicle.

[10:56:41 AM](#)

Representative McCabe answered in the affirmative. Representative Hannan inquired that the same tax applied to one or many vehicles being rented on a platform. Representative McCabe answered in the affirmative. Representative Hannan appreciated that Representative McCabe was taking another stab at the bill. She wished there was not a decrease in the tax and noted that the prior bill was vetoed. She hoped that HB 123 would pass.

Representative Bynum referenced statements concerning those not paying the vehicle rental taxes. He thought that there were some who intentionally did not pay, however, he believed that many were not aware of the state tax. He clarified that he did not think all of the individuals using the platform were trying to cheat the system. Representative McCabe agreed with Representative Bynum's deduction. He believed the majority of the people using Turo called a "host" were unaware they needed to collect a state tax. The bill tried to protect them and correct the issue.

Representative Galvin informed the committee that Turo had a complicated system in terms of how it charged for car rentals. She elucidated that they charged a trip fee ranging between 2.5 percent and 100 percent. Other fees were based on vehicle value, advanced booking time, trip duration, etc. and were "regionally" specific. Alaska offered Turo "a lot of different ways to twist and turn" fees. She asked whether it was the sponsor's intention to collect a flat tax and "none of the extra levers would be pulled." Representative McCabe responded in the affirmative.

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Representative Galvin asked given the lack of uncertainty regarding recovering lost tax revenue, whether a sunset date should be included. She deemed that it would enable a reevaluation of the tax structure if there was a loss to the state. Representative McCabe answered that he had thought about reevaluating the tax in two to three years. He noted that there were other tax percentage disparities in the vehicle rental system such as for motor home rentals that was 3.5 percent. However, he did not believe the bill needed a sunset to accomplish changes. Representative Galvin emphasized that it was difficult to change taxes in the state. She understood Representative McCabe's point of view but wanted to proceed with caution due to the tight budget circumstances. She recounted that mining taxes had not changed in 50 years.

[11:03:50 AM](#)

Representative Stapp pointed to the reduction in the overall tax. He determined that the legislation granted more flexibility to municipalities. Representative McCabe answered that the result was an unintended consequence and not planned.

Co-Chair Foster set an amendment deadline for Friday May 2, 5:00 p.m.

[11:06:06 AM](#)

Representative Johnson noted that the bill would become effective immediately. She guessed that it might take time for the department to implement the tax. She wondered about the timing of the current effective dates.

Representative McCabe was unsure about changing dates. He remarked that the division already collected legacy rental taxes and Turo was set up for the Anchorage tax. He believed tax collection was already in place. Representative Johnson offered that she was referring to statements in the fiscal note and wanted to bring it to the sponsor's attention.

Representative Galvin wondered if someone who rented vehicles on an online platform opened a brick and mortar business with many vehicles what percent tax would it be subject to. Representative McCabe could not answer the question. He thought that the bill was not designed for that type of business. It was more for individual car owners who wanted to rent their vehicles on a platform. Representative Galvin knew there were individuals who rented five vehicles on platforms and thought it was unfair. She suggested that the members consider lowering the number for traditional rentals paying a larger percentage. She thought it could become more complex, and definitions were necessary.

[11:10:34 AM](#)

Representative Bynum shared that he pondered the same question as Representative Galvin. He informed the committee that larger brick and mortar companies had a different insurance structure than platforms where insurance was more costly. He noted that there was different cost models associated with using the platforms. He cited page 2, line 29 of the bill that stated:

(2) "vehicle rental platform" means an application, website, offline booking service, or other system, whether online or offline, offered or used by a vehicle rental platform company that enables the prearrangement of motor vehicle rentals with motor vehicle owners that are not related by common ownership or control with the vehicle rental platform;

Representative Bynum pointed out that the vehicle owner was separate from the platform owner.

Representative Galvin appreciated the nuance that was pointed out.

Representative Jimmie requested clarification that Turo already paid sales tax to Anchorage. Representative McCabe answered in the affirmative. Representative Jimmie inquired whether other communities would have to set up a sales tax collection to receive payment of the tax. Representative McCabe replied in the affirmative and added that the bill offered municipalities the flexibility to do so if they had the tax structure.

Representative McCabe thanked the committee.

Representative Bynum asked several procedural questions.

Co-Chair Foster discussed future meeting agendas.

HB 123 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following meeting.

#

ADJOURNMENT

[11:15:30 AM](#)

The meeting was adjourned at 11:15 a.m.