

HB

271

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT

MAY 20 2003

SENATE FINANCE COMMITTEE

DATE: 5/19/03

FURTHER:

DATE TURNED IN TO OFFICE: 5/20/03

Finance Committee considered CS FOR HOUSE BILL NO. 271(FIN)(efd am)

HB 271 PASSENGER/RECREATIONAL VEHICLE RENTAL TAX

"An Act levying and providing for the collection and administration of excise taxes on the rental of passenger and recreational vehicles usable on highways and vehicular ways; and providing for an effective date."

and recommends:

[] be replaced with _____ CS _____ (_____)

[] adopt previous _____ CS _____ (_____)

[] attached amendment(s)

[] adopt Letter of Intent by _____ Committee

[] further referral to _____ Committee

Senate Bill:

[] same title

[] new title

House Bill:

[] same title

[] technical title

[] new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
Rev.	5/20/03	96.5		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

[] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Adrian Taylor</i>			✓	
<i>Ben Stivers</i>	X			
<i>James C. Bell</i>		✓	✓	
COCHAIR: <i>Lynne Green</i>	✓			
COCHAIR: <i>Tommy Webb</i>	✓			

MAY 20 2003

SENATE FINANCE
COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number: _____

Bill Version: _____

CSHB271(FIN)(efd am)

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: _____

Revenue

Title Passenger Vehicle Rental Tax

BRU

Revenue Operations

Component

Tax DivisionSponsor Representative KottRequester Senate Finance Committee

Component No.

2476

Expenditures/Revenues

(Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	55.0	55.0	55.0	55.0	55.0	55.0
Travel	5.0	2.0	2.0	2.0	2.0	2.0
Contractual	25.0	12.0	12.0	12.0	12.0	12.0
Supplies	3.0	1.0	1.0	1.0	1.0	1.0
Equipment	8.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	96.5	70.0	70.0	70.0	70.0	70.0

CAPITAL EXPENDITURES						

CHANGE IN REVENUES ()	1,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	96.5	70.0	70.0	70.0	70.0	70.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	96.5	70.0	70.0	70.0	70.0	70.0

Estimate of any current year (FY2003) cost: 0.0Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time	1	1	1	1	1	1
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would impose a 10% state tax on the rental or lease of passenger vehicles, and a 3% state tax on the lease or rental of recreational vehicles. The new taxes would take effect January 1, 2004. Commercial vehicles and farm equipment would be exempt, as would emergency and firefighting vehicles and all rentals by state, federal and local government employees on official business. Vehicles leased for more than 90 consecutive days also would be exempt from the tax.

The definition of recreation vehicles in this legislation includes traditional RVs plus campers, camper trailers, and pickup trucks with camper units mounted on the bed.

See attached page for the revenue estimate and operating costs.

Prepared by: Larry ParsilyPhone 465-5469Division Department of RevenueDate/Time 5/20/03 9:04 AMApproved by: Larry ParsilyDate 5/20/2003Agency Department of Revenue

**CSHB271(FIN)(efd am) - Passenger Vehicle Rental Tax
Department of Revenue – May 20, 2003**

Page 2 of 2

OPERATING EXPENDITURES

The Department of Revenue anticipates additional costs for administering this new tax. There are more than 100 businesses that rent out cars and RV's across Alaska. We envision that this tax would be paid quarterly, which would mean between 400 and 500 tax returns during the year, of which several might involve questions, audits or additional work, and perhaps enforcement and collection efforts.

The Department expects it will need the equivalent of one full-time employee to handle the accounting and collections, taxpayer service and compliance work associated with this tax. In addition, we would expect to conduct taxpayer outreach and education efforts to help start this new program, and we also would use the additional contractual funds requested in Fiscal 2004 to pay for a computer program for tracking payments and taxpayer returns.

REVENUE ESTIMATE

The Department estimates the combination of a 10% passenger vehicle tax and a 3% RV tax would raise approximately \$6 million a year in additional revenue to the state.

The revenue in the first year of the program, Fiscal 2004, is estimated at \$1 million because the state would receive just one quarterly tax payment in the first year — the April 2004 payment for January through March rentals — and that payment would cover the slowest period of rental car business in the state.

CS FOR HOUSE BILL NO. 271(FIN)(efd am)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/15/03

Offered: 5/7/03

Sponsor(s): REPRESENTATIVE KOTT

A BILL

FOR AN ACT ENTITLED

1 "An Act levying and providing for the collection and administration of excise taxes on
2 the rental of passenger and recreational vehicles usable on highways and vehicular
3 ways; and providing for an effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. AS 43 is amended by adding a new chapter to read:

6 Chapter 52. Vehicle Rental Taxes.

7 Sec. 43.52.010. Levy of passenger vehicle rental tax. There is imposed an
8 excise tax on the charge for the lease or rental of a passenger vehicle in this state if the
9 lease or rental of the passenger vehicle does not exceed a period of 90 consecutive
10 days.

11 Sec. 43.52.020. Rate of passenger vehicle rental tax. The rate of the tax
12 levied in AS 43.52.010 is 10 percent of the total fees and costs charged for the lease or
13 rental of the passenger vehicle.

14 ~~Sec. 43.52.030. Levy of recreational vehicle rental tax. There is imposed an~~

delete
→

~~excise tax on the charge for the lease or rental of a recreational vehicle in this state if the lease or rental of the recreational vehicle does not exceed a period of 90 consecutive days~~

delete

Sec. 43.52.040. Rate of recreational vehicle rental tax. The rate of the tax levied in AS 43.52.030 is three percent of the total fees and costs charged for the lease or rental of the recreational vehicle.

Sec. 43.52.050. Liability for payment of vehicle rental taxes. (a) The taxes imposed by this chapter shall be collected and paid to the department

(1) by the person who provides the leased or rented vehicle; and

(2) in the manner and at the times required by the department by regulation.

(b) The tax shall be stated as a separate item on the lease or rental contract or other document invoicing payment.

Sec. 43.52.060. Applicability of the tax. The provisions of this chapter apply to a passenger or recreational vehicle whether or not the vehicle is registered and licensed in this state.

Sec. 43.52.070. Relationship to municipal levies. The taxes imposed by this chapter are in addition to taxes that may be imposed on vehicle rentals by a municipality under AS 29.45.

Sec. 43.52.080. Administration of tax. (a) The department shall administer the taxes imposed by this chapter and may adopt necessary regulations.

(b) The proceeds of the vehicle rental taxes imposed by this chapter shall be deposited into a special vehicle rental tax account in the general fund.

(c) The legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing. This section is not intended to create a dedicated fund.

Sec. 43.52.090. Exemption. The tax imposed in this chapter does not apply to leases or rentals for official use to federal, state, or local government agencies or employees.

Sec. 43.52.099. Definitions. In this chapter,

(1) "fees and costs" means all charges incurred by the renter before the

SENATE FINANCE COMMITTEE
598 / 2003 COMMITTEE ACTION

Bill Number	HB 271		
Amendment	#1		
Motion	adopt		
<u>Motion by</u>	Bunde		
<u>Objection by</u>	Wilken		
<u>Removed</u>	✓		
<u>Second Objection by</u>	Green		
<u>Committee Member</u>	Y	Vote	N
Senator Hoffman			✓
Senator Olson			✓
Senator Stevens			✓
Senator Taylor	✓		
Senator Bunde	✓		
Co-Chair Green			✓
Co-Chair Wilken	✓		
<u>Tally</u>			
Yea	3		
Nay	4		
Absent			
<u>MOTION</u>	FAIL		

delete ~~fr~~ page 1 line 14 through
 page 2 line 3
 Sec. 43.52.030 all language

Amendment #2
FAILED

23-LS0936X.A

CS FOR HOUSE BILL NO. 271(FIN)(efd am)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-THIRD LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Amended: 5/15/03

Offered: 5/7/03

Sponsor(s): REPRESENTATIVE KOTT

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10 days.

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12 levied in AS 43.52.010 is ~~10~~ percent of the total fees and costs charged for the lease or
13 rental of the passenger vehicle. ←

14 Sec. 43.52.030. Levy of recreational vehicle rental tax. There is imposed an

1 excise tax on the charge for the lease or rental of a recreational vehicle in this state if
2 the lease or rental of the recreational vehicle does not exceed a period of 90
3 consecutive days.

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6 or rental of the recreational vehicle.

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8 imposed by this chapter shall be collected and paid to the department

9 (1) by the person who provides the leased or rented vehicle; and

10 (2) in the manner and at the times required by the department by
11 regulation.

12 (b) The tax shall be stated as a separate item on the lease or rental contract or
13 other document invoicing payment.

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15 to a passenger or recreational vehicle whether or not the vehicle is registered and
16 licensed in this state.

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18 chapter are in addition to taxes that may be imposed on vehicle rentals by a
19 municipality under AS 29.45.

20 **Sec. 43.52.080. Administration of tax.** (a) The department shall administer
21 the taxes imposed by this chapter and may adopt necessary regulations.

22 (b) The proceeds of the vehicle rental taxes imposed by this chapter shall be
23 deposited into a special vehicle rental tax account in the general fund.

24 (c) The legislature may appropriate the actual balance of the vehicle rental tax
25 account for tourism development and marketing. This section is not intended to create
26 a dedicated fund.

27 **Sec. 43.52.090. Exemption.** The tax imposed in this chapter does not apply
28 to leases or rentals for official use to federal, state, or local government agencies or
29 employees.

30 **Sec. 43.52.099. Definitions.** In this chapter,

31 (1) "fees and costs" means all charges incurred by the renter before the

SENATE FINANCE COMMITTEE
5/20/2003 COMMITTEE ACTION

Bill Number	HB 271		
Amendment	#2		
Motion	adopt		
<u>Motion by</u>	Bunde		
<u>Objection by</u>	Wilken		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Olson	✓		
Senator Stevens			✓
Senator Taylor			✓
Senator Bunde	✓		
Senator Hoffman	✓		
Co-Chair Green			✓
Co-Chair Wilken			✓
<u>Tally</u>			
Yea	3		
Nay	4		
Absent			
<u>MOTION</u>	FAIL		

Amendment #3

SENATE FINANCE COMMITTEE
5/29 2003 COMMITTEE ACTION

Bill Number	HB 271		
Amendment	#3		
Motion	adopt		
<u>Motion by</u>	Taylor		
<u>Objection by</u>	Wilken		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	<u>Y</u>	<u>Vote</u>	<u>N</u>
Senator Stevens			✓
Senator Taylor	✓		
Senator Bunde			✓
Senator Hoffman	✓		
Senator Olson			✓
Co-Chair Green			✓
Co-Chair Wilken			✓
<u>Tally</u>			
Yea	2		
Nay	5		
Absent			
<u>MOTION</u>	FAIL		

ability to
~~State~~ Tax on Rental Car
exclusive to the State

Alaska State Legislature

Session: (Jan-May)
State Capitol, Room 208
Juneau, AK 99801-1182
(907) 465-3777
Fax (907) 465-2819

Interim: (June-Dec)
716 West 4th Avenue, Suite 600
Anchorage, AK 99501-2133
(907) 269-0155
(907) 269-0154 Fax

Pete Kott Speaker of the House

Sponsor Statement for **CS for House Bill 271 (FIN)**

"An Act levying and providing for the collection and administration of an excise tax on rental of passenger and recreational vehicles usable on highways and vehicular ways; and providing for an effective date."

The travel industry is the second largest private-sector industry in Alaska. There were 1.6 million visitors to the state in 2002 -- two visitors for every resident. More Americans are choosing to spend their vacations in the United States since September 11, 2001, when international travel became more uncertain. Alaska's distance from the lower 48 states makes it an interesting destination and adventure; Alaska's geographic size, small population, and natural attractions contribute to a feeling of security for tourists.

The majority of visitors to Alaska come by cruise ship or domestic flight, and many of these visitors rent passenger or recreational vehicles to view our scenery and wildlife. Extra vehicles exacerbate the need for road maintenance and repair and conduces interest in construction of roads into other potential tourist destinations.

House Bill 271 is a way for the State to raise revenues that could be used for road and highway maintenance, repair, and construction as well as contributed to the tourism industry for promotion and marketing. This bill would levy a 10 percent tax on the amount charged for the lease or rental of a passenger vehicle, exempting government employees, and would put us on a par with other states' taxes on rentals. House Bill 271 has the potential of bringing \$6.0 million annually to the State.

At a time when State government spending must be decreased in order to balance the budget, those who benefit from State services must, concurrently, contribute to the support of those services.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Table 2
Rental Car Tax
State-by-State Comparison¹

State	State Rental Tax		State Sales Tax		Local Rental Tax		Local Sales Tax		Effective Tax	
	Tax Rate ²	Applicable	Tax Rate	Maximum Local Rate ^{2,3}	Applicable	Local Rate	Maximum Effective Tax	Rank		
Illinois ⁴	5.000%	No	6.250%	18.500%	Yes	up to 2%	31.750%	1		
Arizona ³	5.000%	Yes	5.000%	17.300%	Yes	up to 2.5%	29.800%	2		
Massachusetts ⁵	0.000%	Yes	5.000%	20.600%	N.A.	N.A.	25.600%	3		
Texas ³	10.000%	No	6.250%	13.000%	No	up to 2%	23.000%	4		
Louisiana ³	3.000%	Yes	4.000%	10.250%	Yes	up to 5%	22.250%	5		
Washington ³	5.900%	Yes	6.500%	7.000%	Yes	up to 2.1%	21.500%	6		
Nevada ³	6.000%	Yes	8.500%	8.000%	Yes	up to 0.5%	21.000%	7		
North Carolina ³	8.000%	No	4.000%	10.000%	Yes	up to 2.5%	20.500%	8		
Colorado ³	0.000%	Yes	2.900%	11.460%	Yes	up to 5%	19.360%	9		
North Dakota ³	3.000%	Yes	5.000%	10.000%	No	up to 1.75%	18.000%	10		
Indiana ³	0.000%	Yes	5.000%	13.000%	N.A.	N.A.	18.000%	11		
Oregon ³	0.000%	N.A.	N.A.	18.000%	N.A.	N.A.	18.000%	11		
Utah	6.500%	Yes	4.750%	3.000%	Yes	up to 3.35%	17.600%	13		
California ³	0.000%	Yes	7.000%	8.000%	Yes	up to 2.5%	17.500%	14		
Minnesota ³	6.200%	Yes	6.500%	3.500%	Yes	up to 1%	17.200%	15		
Georgia ³	0.000%	Yes	4.000%	11.000%	Yes	up to 2%	17.000%	16		
Virginia ³	8.000%	No	4.500%	7.000%	Yes	up to 2%	17.000%	16		
New Jersey ³	0.000%	Yes	6.000%	10.000%	N.A.	N.A.	16.000%	18		
New Mexico	9.000%	Yes	5.000%	N.A.	Yes	up to 1.9375%	15.938%	19		
Nebraska	4.500%	Yes	5.000%	4.000%	Yes	up to 1.5%	15.000%	20		
Oklahoma	6.100%	Yes	4.500%	N.A.	Yes	up to 4%	14.600%	21		
Arkansas	5.500%	No	5.125%	5.000%	Yes	up to 4%	14.500%	22		
Dist. of Columbia ³	10.000%	No	5.750%	4.000%	N.A.	N.A.	14.000%	23		
New York	5.000%	Yes	4.000%	N.A.	Yes	up to 4.25%	13.250%	24		
Ohio	0.000%	Yes	5.000%	6.000%	Yes	up to 2%	13.000%	25		
Pennsylvania	6.000%	Yes	6.000%	N.A.	Yes	1%	13.000%	25		
Rhode Island	6.000%	Yes	7.000%	N.A.	N.A.	N.A.	13.000%	25		
Wisconsin	3.000%	Yes	5.000%	4.000%	Yes	up to 0.6%	12.600%	28		
Alabama	8.000%	No	4.000%	N.A.	Yes	up to 4%	12.000%	29		
Florida	4.100%	Yes	6.000%	0.000%	Yes	up to 1.5%	11.600%	30		
Maryland	11.500%	No	5.000%	N.A.	N.A.	N.A.	11.500%	31		
South Dakota	5.500%	Yes	4.000%	N.A.	Yes	up to 2%	11.500%	32		
Connecticut	5.000%	Yes	6.000%	N.A.	N.A.	N.A.	11.000%	33		
South Carolina	5.000%	Yes	5.000%	N.A.	Yes	up to 1%	11.000%	33		
Tennessee	2.000%	Yes	6.000%	N.A.	Yes	up to 2.75%	10.750%	35		
Kansas	3.500%	Yes	4.900%	0.000%	Yes	up to 2%	10.400%	36		
Wyoming	4.000%	Yes	4.000%	N.A.	Yes	up to 2%	10.000%	37		
Hawaii	8.000%	Yes	4.000%	N.A.	N.A.	N.A.	10.000%	37		
Maine	10.000%	No	5.000%	N.A.	N.A.	N.A.	10.000%	37		
Kentucky	0.000%	Yes	6.000%	3.000%	N.A.	N.A.	9.000%	40		
Mississippi	6.000%	Yes	3.000%	N.A.	N.A.	N.A.	9.000%	40		
Michigan	0.000%	Yes	6.000%	2.000%	N.A.	N.A.	8.000%	42		
New Hampshire	8.000%	N.A.	N.A.	N.A.	N.A.	N.A.	8.000%	42		
Missouri	0.000%	Yes	4.225%	N.A.	Yes	up to 3.75%	7.975%	44		
Idaho	0.000%	Yes	5.000%	N.A.	Yes	up to 2%	7.000%	45		
Iowa	0.000%	Yes	5.000%	0.000%	Yes	up to 1%	6.000%	46		
Alaska	0.000%	N.A.	N.A.	N.A.	Yes	up to 6%	6.000%	47		
Vermont	0.000%	Yes	5.000%	N.A.	Yes	1%	5.000%	47		
West Virginia	0.000%	Yes	6.000%	N.A.	N.A.	N.A.	6.000%	47		
Montana	2.100%	Yes	6.000%	N.A.	Yes	up to 3%	8.100%	48		
Delaware	1.920%	N.A.	N.A.	N.A.	N.A.	N.A.	1.920%	51		



¹Sources: The National Conference of State Legislatures July 1999, "Travel and Tourism a Legislator's Guide"; Federal Tax Administrators, and National Car Rental for select states. Sources do not coincide for every state.

²Per day charges are converted to percentages using \$50.00 as a base price before surcharges and taxes

³Maximum local tax include additional off-airport car rental fees; AZ-7%, CA-6%, CO-5.96%, DC-4%, GA-8%, IN-7%, LA-5%, MN-3.5%, NV-8%, NJ-10%, NC-5%, ND-10%, OR-4%, TX-8%, VA-7%, WA-4%

⁴Maximum local tax includes transit taxes (16.5% in Chicago)

⁵Maximum local tax includes 20.6% surcharge that is only assessed in Boston

⁶Resort tax

Provided by Rep. Kott

LEGISLATIVE RESEARCH REPORT

MARCH 28, 2003



REPORT NUMBER 03.178

VEHICLE RENTAL INCOME IN ANCHORAGE

PREPARED FOR REPRESENTATIVE BOB LYNN

BY CHERIE NIENHUIS, LEGISLATIVE ANALYST

You asked about rental car income for the cities of Anchorage, Fairbanks, and Juneau. Specifically, you wished to know how much revenue the rental car industry generates on a monthly basis in each of these cities.

Contacts in Juneau and in Fairbanks could not provide us with this information. Fairbanks does not collect a sales tax, and therefore, would have no official access to this information. Although the City and Borough of Juneau does levy a sales tax on car rentals, they are unable to disaggregate the tax paid on rentals from the tax paid by those same agencies for other services they provide.

The Municipality of Anchorage does not have a sales tax, but in 2000, it authorized a tax of 8% on the fees and costs charged to persons renting vehicles in the municipality.¹ The city's Finance Department provided information about gross "fees and costs" reported by rental car agencies since the tax began in 2000. Anchorage Municipal code defines "fees and costs" as the following:

Fees and costs means the value of all charges incurred by the renter, other than the tax prescribed by this chapter, for the use of a motor vehicle, regardless of whether paid in the form of money, property, or services, except for only the following items if separately stated on the rental contract or other document invoicing payment:

1. Fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal accident insurance;
2. Parking tickets;

¹ Anchorage Municipal Code Chapter 12 Section 45 authorizes the vehicle rental tax; the code provides for some tax ceilings and exceptions.

3. The amount of any sales tax, so-called "luxury tax", consumer excise tax, gross receipts tax, or other similar tax imposed by the United States, the State of Alaska, or the Municipality;
4. Payments received by the rental agency from the renter or the renter's insurance provided for damage to a motor vehicle when the damage was incurred during the rental period;
5. Personal property other than items that are permanently affixed to the motor vehicle. Personal property does not include pickup truck shells or campers mounted on the motor vehicle, or trailers designed, constructed, or used primarily for dwelling;
6. The amount of the concession fee paid to the Ted Stevens Anchorage International Airport; and
7. Fueling charges.²

The Anchorage Department of Finance records gross fees and costs for rental car agencies on a quarterly basis. The vehicle rental tax is approximately 8% of these fees and costs, as shown in Table 1 below.³

Table 1: Total Fee and Costs, and Vehicle Rental Taxes Paid, Municipality of Anchorage, Since Tax Inception, 2000 (in thousands)

	2000		2001		2002	
	Total Fees and Costs	Vehicle Rental Taxes Collected	Total Fees and Costs	Vehicle Rental Taxes Collected	Total Fees and Costs	Vehicle Rental Taxes Collected
1st Quarter	n/a	n/a	\$ 6,370.5	\$ 476.9	\$ 6,266.7	\$ 468.4
2nd Quarter	n/a	n/a	\$ 13,896.9	\$ 1,092.4	\$ 14,530.5	\$ 1,123.5
3rd Quarter	n/a	n/a	\$ 29,792.1	\$ 2,300.6	\$ 29,961.9	\$ 2,319.8
4th Quarter	\$ 6,326.7	\$ 460.4	\$ 6,637.2	\$ 500.3	\$ 6,796.3	\$ 488.1
Totals	\$ 6,326.7	\$ 460.4	\$ 56,696.7	\$ 4,370.2	\$ 57,555.4	\$ 4,399.8

Source: Municipality of Anchorage, Department of Finance, (907) 343-6686.

We also include, as Attachment A, a brief summary of the potential revenue and impacts of a state tax on vehicle rentals, as prepared by the Alaska Department of Revenue in February of this year.

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

² Anchorage Municipal Code Chap 45 Section 12.010.

³ Neva Hamish of the Municipality of Anchorage Department of Finance explained that there are items included in the gross fees and costs that are not taxed; therefore, tax computations will not exactly equal 8 percent.

Attachment A

"Proposed Revenues," Prepared by
the Alaska Department of Revenue,
February, 2003

Proposed Revenues

BRIEF DESCRIPTION: Tax on vehicle rentals.

DEPARTMENT AND PROGRAM NAME: Department of Revenue.

SUMMARY: The state could impose a tax on vehicle rentals, either a flat per-rental fee or a percentage tax (much like a sales tax). Anchorage already imposes an 8% tax, with Cordova at 6% and Yakutat at 4%.

WHO WILL PAY? Anyone who rents a vehicle, although the state would need to decide if the tax also applies to RVs, trailers and commercial rentals, too, such as heavy equipment. And would the tax apply to leases, or only short-term rentals of less than (for example) 30 days?

ESTIMATED REVENUE EXPECTED: Each 1% tax on rentals would raise approximately \$500,000 to \$600,000 per year. This assumes the vehicle rental business in Alaska is a \$50 million to \$60 million a year industry, and it also assumes that long-term vehicle and commercial leases would be exempt from the tax. The revenue could start flowing to the state by January 1 of the year after passage, to allow time to set up a tax collection program, forms and software.

ESTIMATED COST TO COLLECT: The department estimates the cost of running a vehicle rental tax program at approximately \$125,000 to \$150,000 per year.

WHAT OTHER DEPARTMENTS WILL BE AFFECTED BY THIS PROPOSAL? Department of Community and Economic Development.

WHO WILL SUPPORT THIS BILL? No one specific, unless the state shared the revenue with the airports or communities.

WHO WILL OPPOSE THIS BILL? Probably car rental agencies and perhaps Bush Alaskans who travel frequently to Anchorage or Fairbanks for shopping, business, medical needs or leisure, and who rent vehicles.

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