

**SB**

**174**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 174  
(S) Publish Date: 4/20/05

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: Exclude certain trucks from RDU: Taxation and Treasury  
vehicle rental tax Component: Tax  
Sponsor: Senators Huggins, Wagoner  
Requester: Senators Huggins, Wagoner Component No.: 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>(275.0)</b>	<b>(275.0)</b>	<b>(275.0)</b>	<b>(275.0)</b>	<b>(275.0)</b>	<b>(275.0)</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

**Bill Language:** This bill will exempt trucks with a gross vehicle weight rating greater than 8,500 pounds and used or maintained primarily for the transportation of personal property from the vehicle rental tax. The intent of this bill is to exempt trucks rented by individuals to move their personal property from the vehicle rental tax.

**Revenue:** Currently, rental trucks are subject to the vehicle rental tax. Exempting rental trucks from the vehicle rental tax will result in a decrease in vehicle rental tax revenue of approximately \$250,000 to \$300,000 each fiscal year

Prepared by: Johanna Bales  
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Approved by: Jerry Burnett  
Agency: Department of Revenue

Phone: 269-6628  
Date/Time: 4/15/05 1:24 PM  
Date: 4/15/2005

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Senate Bill 174:

1

Hawker

AMENDMENTS:

1. Title change:

Page 1, line 1, following the word "trucks" add the following:

"and vehicles provided by automovile dealers as replacement transportation during warranty or service contract repairs"

2. Page 2 following line 7, add the following:

(G) a rental vehicle when provided by an automobile dealer to a customer as replacement transportation during warranty or service contract repairs;

↳ recall

# ALASKA STATE LEGISLATURE

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## Charlie Huggins Senator

4/16/05

### Sponsor Statement

SB 174 - "An Act excluding certain trucks from the definition of 'passenger vehicle' for purposes of the passenger vehicle rental tax; and providing for an effective date."

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SB 174 was introduced to correct an unintended consequence of legislation passed in 2003.

In 2003 the Alaska State Legislature passed HB 271 as a tourism-based tax on passenger rental cars and recreational vehicles. The purpose of the tax was to tax visitors using our road system, not local citizens. However, House Bill 271 has negatively impacted the following:

- 1.) Alaska citizens needing to move,
- 2.) Our local independent outlets,
- 3.) The consumer truck rental business overall.

The Department of Revenue has assessed the tourism-based tax on all rental vehicles, including trucks less than 26,000 pounds. This interpretation of the law results in the 10% tax being applied to Alaska businesses and citizens renting trucks. The 10% state tax, along with the local municipal and city taxes adds considerably to the total rental fee.

In 2004 HB 347 was introduced to correct the unintended consequence created by HB 271 and provided an exemption for taxicabs. This corrective legislation passed and was signed into law.

SB 174 will ensure that the tax applies more specifically to the intended target of visitors renting passenger vehicles and recreational vehicles, rather than the unintended target of Alaska businesses and citizens who rely on truck rentals for the continued flow of commerce and movement of household goods.



## Alaska State Legislature

Senate Majority Web: [www.akrepublicans.org](http://www.akrepublicans.org)

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Sponsor: Senator Charlie Huggins  
Current Version: SB 174  
Contact: Deb Grundmann, 465-3878

### Fact Sheet for: Senate Bill 174

**Short Title:** EXEMPT UHAULS FROM VEHICLE RENTAL TAX

**Summary:**

- Exempts rental trucks used for the transportation of personal property from the state motor vehicle rental tax.

**Benefits:**

- Prevents Alaskans from paying a tax intended for tourists.

**Background:**

- In 2003, the state passed a motor vehicle tax intended to raise revenue from visitors using the state's road system. SB 174 seeks to address an unintended consequence of the bill. It applied the tax to rental trucks used to move personal belongings. The legislation ensures only visitors, not Alaskans, pay the tax.

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Anchorage Daily News

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## Bills aim to exempt U-Hauls from tax

**RENTALS: Current law charges 10 percent fee on trucks, vans.**By LARRY PERSILY  
Anchorage Daily News*(Published: April 18, 2005)*

JUNEAU -- Legislators hadn't intended that any more Alaskans than absolutely necessary should have to pay the vehicle rental tax adopted two years ago, so they're going back into the law this year to exempt rentals of U-Hauls and other similar trucks and vans.

"It's relief for local kinds of people," said Sen. Charlie Huggins, who is sponsoring a bill to exempt rental trucks used "primarily for the transportation of personal property."

Imposing the tax on U-Hauls and such rentals drives up the cost of business for Alaskans, the first-term Wasilla Republican said.

The legislation is written to specifically exempt trucks rated at more than 8,500 pounds gross weight, which covers the entire U-Haul fleet.

The Department of Revenue estimates the exemption will cost the state \$275,000 a year in tax revenues.

The Legislature in 2003 adopted a 10 percent state tax on vehicle rentals, including recreational vehicles, starting Jan. 1, 2004. The state expects to earn about \$7.4 million a year from the tax on motor vehicles, with most of the money coming from summer tourists.

Although the existing law exempts large trucks from the tax, no U-Haul truck is large enough to meet the exemption.

Legislators last year tried unsuccessfully to amend the law at the same time they approved an exemption for people who lease their taxicabs. John Norris, president of the U-Haul Company of Alaska, testified last year that the 10 percent tax was a hardship on Alaskans.

Norris did not return a call for comment for this story.

No renters have called the state Tax Division to complain, said the division's Johanna Bales.

"We have gotten calls from the truck places," she said.

"The purpose of the tax was to tax visitors using our road system, not local citizens," said Rep. Pete Kott, sponsor of the 2003 law. It was never his intent to tax Alaskans who rent trucks to move their household belongings, the Eagle River Republican said.

Huggins' proposal, Senate Bill 174, is scheduled for its first hearing Tuesday in Senate Transportation, which he chairs.

Kott also has a bill in this session to exempt U-Hauls. House Bill 199 passed its first committee unanimously last week. One of the two measures needs to pass both chambers before going to the

governor for signature into law.

Though he voted for the original tax bill, Sen. Con Bunde sees the U-Haul exemption as another effort to avoid taxing Alaskans.

"That's what I've been preaching to everybody who comes in," the Anchorage Republican said. "It's unrealistic to think we can get someone else to pay our bills."

The Municipality of Anchorage, which charges an 8 percent tax on motor vehicle rentals, exempts U-Hauls, trucks and all other vehicles "used exclusively for commercial or non-commercial hauling or delivery of cargo," according to municipal code.

Some states, such as Nevada and Oregon, impose a tax on truck rentals, while others, including Washington and California, do not collect a rental tax and charge only their regular sales tax.

Reporter Larry Persily can be contacted at [lpersily@adn.com](mailto:lpersily@adn.com), or in Juneau at 523-9306.

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