

**SB**

**174**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

REPORTED OUT  
  
 APR 26 2005  
  
 SENATE FINANCE  
 COMMITTEE

DATE: 4/20/05

FURTHER:

 DATE TURNED IN TO OFFICE: 26 April 2005

 Finance Committee considered SENATE BILL NO. 174

## SB 174 EXEMPT UHAULS FROM VEHICLE RENTAL TAX

"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."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**CS Senate Bill:**  
 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Ind.	Zero	FN#
Revenue	4/15/05	(275)		✓	#1

 APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
	✓			
	✓			
	✓			
COCHAIR:	✓			
COCHAIR: 				

# 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 Phone: 269-6628  
Division: Tax Division Date/Time: 4/15/05 1:24 PM  
Approved by: Jerry Burnett Date: 4/15/2005  
Agency: Department of Revenue

# ALASKA STATE LEGISLATURE

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Wasilla AK 99654  
907-376-4866  
907-373-4724 – Fax  
Senator\_Charlie\_Huggins@legis.state.ak.us



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907-465-3878  
Fax: 907-465-3265  
800-862-3878  
[www.akrepublicans.org/huggins/](http://www.akrepublicans.org/huggins/)

## 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.

**adn.com**

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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U-HAUL CO. OF ALASKA

4751 OLD SEWARD HIGHWAY • ANCHORAGE, ALASKA 99503-7417 • PHONE: (907) 562-2735 • FAX: (907) 561-0466

January 14, 2005

Re: Corrective Legislation

To: Senator Green

My name is John Norris. I am the President of U-Haul Company of Alaska Inc.

In 2003 HB 271 was introduced and promoted as a tourism based tax on passenger rental cars and recreational vehicles. (See attachments.) The stated purpose of the tax was to only tax tourism, not the local citizen. However, the Department of Revenue has assessed the tax on all rental vehicles, including trucks less than 26,001 pounds. This interpretation of the law results in the 10 percent tax being applied to Alaska businesses and citizens renting trucks.

House Bill 271 has impacted:

- a) Alaska citizens needing to move.
- b) Local independent outlets.
- c) Our business overall.

The consumer has other options to move that are **NOT TAXED**. The 10% state tax along with the local municipal and city taxes adds considerably to the total rental fee.

After HB 271 became law, HB 347 was introduced during the 2004 legislative session to correct the unintended situation created by HB 271 and provided an exemption for taxicabs. This corrective legislative passed and was signed into law.

I would greatly appreciate it if you will sponsor legislation that would provide the same relief for trucks as has been provided for taxicabs. The legislation would add wording to remove " rental trucks" from tax. This legislation would ensure that the tax applies to the intended target; out of state tourism renting passenger vehicles and recreational vehicles, not Alaska businesses and citizens, which rely on truck rentals for the continued flow of commerce and movement of household goods. The Alaska Trucking Association favors this amendment, along with the Truck Renting and Leasing Association. So far as I am aware there is no industry group that opposes this corrective legislation.

*Moving Made Easier.*

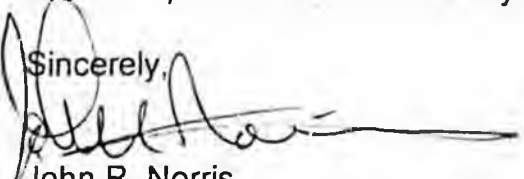
Truck rentals are generally made to either small businesses or local residents for household moves. The \$ 248,445 of taxation gained from U-Haul rental customers in calendar year 2004 is not enough to offset the service lost to Alaska citizens and businesses that are forced to move another way. The 10% tax on truck rentals has been a significant hardship for Alaska citizens and businesses. The economic profile of the average do-it-yourself truck rental customer dictates that they are least able to absorb the tax. Additionally, truck rentals done by businesses are often necessary for companies to meet their peak or seasonal demands. Higher transportation costs will almost certainly result in higher consumer product costs. In either case, local Alaska residents are bearing the burden of the 10% tax.

Listed below are some facts and figures regarding my company:

Current truck license and registration fees paid:	\$ 26,050
Total payroll	\$1,103,963
Property taxes paid	\$ 141,500
Company owned moving centers	3
Company owned repair shops	3
Independent dealers	49
Municipal and Borough taxes paid	\$45,000
Payroll unemployment tax paid	\$24,779
Employees	65

Thanks in advance for your help, we sincerely need it. Your sponsorship of legislation to remove truck rentals from the tax ensures that the tax only applies to the intended target of out-of-state tourists, not citizens of Alaska is appreciated. If you need more information or if I can help in any way, please contact me: Office telephone 907-562-0612; home 907-345-4972, mobile 907-229-0401, fax 907-561-0466. My e-mail address is [John.Norris@uhaul.com](mailto:John.Norris@uhaul.com).

Sincerely,



John R. Norris  
Marketing Company President  
U-Haul Company of Alaska Inc.

**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.”*

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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.

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 4/14/05

FURTHER: Finance

Date of 5-Day Notice: 4/14/05  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4/19/05

Transportation Committee considered SENATE BILL NO. 174

### SB 174 EXEMPT UHAULS FROM VEHICLE RENTAL TAX

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 Same Title  
 New Title

**SCS House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
Revenue	4/15/05	✓			1

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Allent Kookesh</i> Sen. Kookesh	✓			
<i>Sen. French</i> Sen. French			x	
<i>Sen. Therriault</i> Sen. Therriault	✓			
<i>John J. Cowden</i> Sen. Cowden	✓			
CHAIR: <i>Sen. Huggins</i>	x			