

HB

62

<TARGET><BILL>HB 62</BILL><SUBJECT>HB
62</SUBJECT><COMM>HTRA27</COMM></TARGET>

CS FOR HOUSE BILL NO. 62(TRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE TRANSPORTATION COMMITTEE

Offered:

Referred:

Sponsor(s): REPRESENTATIVES HOLMES AND HERRON, Johnson, Pruitt, Feige

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to excluding motorcycles and motor-driven cycles from the passenger**
2 **vehicle rental tax; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 43.52.099(2) is amended to read:

5 (2) "passenger vehicle" means a motor vehicle as defined in
6 AS 28.90.990 that is driven or moved on a highway or other public right-of-way in the
7 state, but does not include

8 (A) a commercial motor vehicle as that term is defined in
9 AS 28.90.990;

10 (B) emergency or fire equipment that is necessary to the
11 preservation of life or property;

12 (C) a farm vehicle that is controlled and operated by a farmer,
13 used to transport agricultural products, farm machinery, or farm supplies to or
14 from that farmer's farm, not used in the operations of a common or contract

1 motor carrier, and used within 150 miles of the farmer's farm;

2 (D) a recreational vehicle;

3 (E) a taxicab;

4 (F) a rental truck; in this subparagraph, "rental truck" means a
5 motor vehicle with a gross vehicle weight rating greater than 8,500 pounds that
6 is designed, used, or maintained primarily for the transportation of personal
7 property; [OR]

8 (G) a vehicle provided by an automobile dealer to a customer
9 as replacement transportation during warranty, recall, or service contract
10 repairs if the dealer does not receive compensation from the customer; or

11 **(H) a motorcycle or a motor-driven cycle as those terms are**
12 **defined in AS 28.90.990;**

13 * **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c).

**Representative
Lindsey Holmes**

Capitol Room 405
465-4919
465-2137 fax



MEMORANDUM

Date: 2 February 2011

To: Representative Peggy Wilson,
Chair, House Transportation Committee

From: Representative Lindsey Holmes 

RE: Hearing Request for HB 62: Passenger Vehicle Rental Tax

I would like to respectfully request a hearing for House Bill 62 in the House Transportation Committee. If you have any questions about the bill, please feel free to contact me or Mike Coumbe (direct line: 465-4919) in my office.

Attached to this memo my staff has provided:

- 1) A copy of the bill in its current form
- 2) A sponsor statement for the bill
- 3) Recommended witnesses
 - a. Barry Matteson, owner, House of Harley-Davidson, Anchorage
 - b. Phil Freeman, owner, MotoQuest, Anchorage
- 4) Supporting letter from Barry Matteson
- 5) A copy of the current statute relating to passenger vehicle rental taxes as background information.

AMENDMENT

OFFERED IN THE HOUSE
TO: HB 62

BY REPRESENTATIVE HOLMES

- 1 Page 1, line 2, following "tax":
- 2 Insert "; and providing for an effective date"
- 3
- 4 Page 2, following line 12:
- 5 Insert a new bill section to read:
- 6 "* **Sec. 2.** This Act takes effect immediately under AS 01.10.070(c)."



Representative Lindsey Holmes

Sponsor Statement

HB 62 – Passenger Vehicle Rental Tax

House Bill 62 will remove the 10% tax on motorcycle rentals. With our short summer and the economic benefits of independent tourism, the legislature should support this emerging industry.

Motorcycle tourism brings independent travelers to our small businesses and restaurants. While cruise ships ensure that large hotels are full, motorcycle travelers go off the beaten path, traveling to remote bed and breakfasts or staying in smaller hotels. In contrast to RV renters (who pay a smaller 3% rental tax), motorcycle riders are more likely to eat at restaurants, since it is difficult to cook a meal in one's motorcycle.

With a short rental season, plenty of challenges exist for Alaskan businesses that rent motorcycles. On top of the seven or eight winter months where rental income isn't earned, fleet storage adds to the cost of doing business in Alaska. These factors increase the price of rentals, making it difficult to draw in customers. Adding a 10% state tax makes renting motorcycles even more challenging for rental businesses.

Passing this legislation corrects the accidental inclusion of motorcycles to our existing rental vehicle tax. In 2003, the legislature passed a motor vehicle rental tax for rental cars. No talk of motorcycles was placed on the record at that time. Also illustrating that point, the Department of Revenue didn't even collect the tax until several years after the law became effective.

Please join me in supporting this legislation, to benefit independent tourism in Alaska.

The House of Harley-Davidson 4334 Spenard Road Anchorage Alaska 99517

February 1, 2011

Representative Lindsey Holmes
House of Representatives
State of Alaska

Dear Representative Holmes

Thank you for introducing HB62 to exclude motorcycles from the passenger vehicle rental tax law. As we discussed before, I believe the law was originally written without the consideration of motorcycle rentals. However, as it is written, it does not specifically exclude them.

We are going into our third year as a Harley-Davidson motorcycle rental operator in Alaska. Like most other things, it is "different in Alaska". We have only three months in which we take care of 90% of our rental customers. To do so, we need to maintain a fleet of 12 to 15 new Harley-Davidson motorcycles. Just to break even, we have to charge up to twice as much or more as rental dealers in the lower 48. When you consider depreciation, it is easy to see this is not a very lucrative part of our business.

There is a lot of demand for this rental program in Alaska. The biggest complaint of course, is the price, and we do lose a lot of potential rental days each season because of it. We had over 200 rental customers in 2010 – most from the lower 48. The motorcycle rental customers spend more time and money while traveling in Alaska than those who rent cars or motor homes. They are likely to stop more often and spend more nights in hotel/motel rooms and restaurants throughout the state.

We add two seasonal employees for 6-months each summer to maintain our rental business. We also incur additional payroll expenses for our core employees to get the bikes ready, ridden for 500 miles and serviced in time for the start of the season. We are just now being invoiced for and receiving our new fleet for the 2011 season. Of course, the interest charges start immediately.

Because of customer requests and the desire of the Harley-Davidson Motor Company to have a rental operator in Alaska, we have agreed to continue with the program. However, if we incur additional expenses, we will have to consider giving it up.

Thank you for your time and support.

Sincerely,

Barry Matteson
Owner

Chapter 43.52. TRANSPORTATION TAXES

Article 01. VEHICLE RENTAL TAXES

Sec. 43.52.010. Levy of passenger vehicle rental tax.

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

Sec. 43.52.020. Rate of passenger vehicle rental tax.

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

Sec. 43.52.030. Levy of recreational vehicle rental tax.

There is imposed an 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.

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 AS 43.52.010 - 43.52.099 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 AS 43.52.010 - 43.52.099 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 AS 43.52.010 - 43.52.099 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 AS 43.52.010 - 43.52.099 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 AS 43.52.010 - 43.52.099 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 AS 43.52.010 - 43.52.099,

(1) "fees and costs" means all charges incurred by the renter before the tax imposed under AS 43.52.010 - 43.52.099 except

(A) fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal accident insurance;

(B) parking tickets;

(C) sales or excise taxes;

(D) payment for damages to the vehicle during the rental period;

(E) concession fees paid to an airport;

(F) customer facility charges set by the commissioner of transportation and public facilities under AS 02.15.090; and

(G) customer facility maintenance charges set by the commissioner of transportation and public facilities under AS 02.15.090;

(2) "passenger vehicle" means a motor vehicle as defined in AS 28.90.990 that is driven or moved on a highway or other public right-of-way in the state, but does not include

(A) a commercial motor vehicle as that term is defined in AS 28.90.990;

(B) emergency or fire equipment that is necessary to the preservation of life or property;

(C) a farm vehicle that is controlled and operated by a farmer, used to transport agricultural products, farm machinery, or farm supplies to or from that farmer's farm, not used in the operations of a common or contract motor carrier, and used within 150 miles of the farmer's farm;

(D) a recreational vehicle;

(E) a taxicab;

(F) a rental truck; in this subparagraph, "rental truck" means a motor vehicle with a gross vehicle weight rating greater than 8,500 pounds that is designed, used, or maintained primarily for the transportation of personal property; or

(G) a vehicle provided by an automobile dealer to a customer as replacement transportation during warranty, recall, or service contract repairs if the dealer does not receive compensation from the customer;

(3) "recreational vehicle" means

(A) a motor vehicle or trailer for recreational dwelling purposes;

(B) a motor home or other vehicle with a motor home body style;

(C) a one-piece camper vehicle; and

(D) any other self-propelled vehicle with living quarters;

(4) "tax" means the excise tax levied under AS 43.52.010 - 43.52.099 on the charge made for the rental of a passenger or recreational vehicle;

(5) "vehicle" means a device in, upon, or by which a person or property may be transported or drawn upon or immediately over a highway or vehicular way or area; "vehicle" does not include

(A) devices used exclusively upon stationary rails or tracks;

(B) mobile homes; or

(C) watercraft.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
 Bill Version HB 62
 () Publish Date _____

Identifier (file name) HB62-DOR-TAX-03-14-11 Dept. Affected Revenue
 Title Passenger Vehicle Rental Tax Appropriation Taxation and Treasury
 Allocation Tax Division
 Sponsor Representatives Holmes
 Requester House Transportation Committee OMB Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES	1004 GF		(12.0)	(12.0)	(12.0)	(12.0)	(12.0)
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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 (please identify)							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version (if initial version, please note as such)

initial version

Prepared by Johanna Bales, Deputy Director
 Division Tax Division
 Approved by Ginger Blaisdell, Director Administrative Services Division
Department of Revenue

Phone (907) 269-6628
 Date/Time 3/14/11; 11:15 am
 Date 3/14/11; 11:28am

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 62

Analysis

Bill Language:

This bill would exempt motorcycles from the passenger vehicle rental tax.

Revenues:

The state receives approximately \$12,000 each year in vehicle rental tax from the rental of motorcycles in the state. Revenue would drop by approximately \$12,000 each fiscal year as a result of this legislation.

Expenditures:

The department can implement the provisions of this bil with existing resources.