

**SB**

**19**

<TARGET><BILL>SB 19</BILL><SUBJECT>SB  
19</SUBJECT><COMM>SFIN27</COMM></TARGET>

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/21/11

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Finance Committee considered SENATE BILL NO. 19

## SB 19-PASSENGER VEHICLE RENTAL TAX

"An Act excluding motorcycles and motor-driven cycles from the passenger vehicle rental tax."

and recommends:

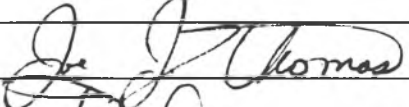
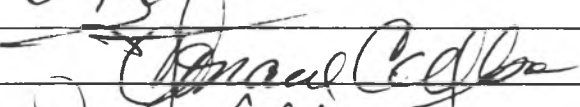
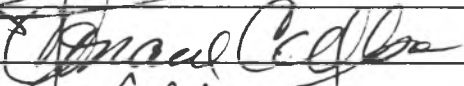
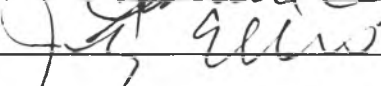
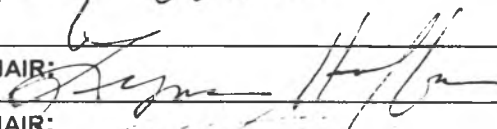
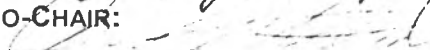
- be replaced with CS SB 19 ( FIN ) [ ] Same Title  New Title
- [ ] adopt previous CS \_\_\_\_\_ ( \_\_\_\_\_ ) [ ] Same Title [ ] New Title
- [ ] attached amendment(s)
- [ ] adopt \_\_\_\_\_ Letter of Intent
- [ ] further referral to \_\_\_\_\_ Committee

Dept Abbr.	
ADM	LEG
CED	LAW
COR	LWF
CRT	MVA
EED	DNR
DEC	DPS
DFG	REV
GOV	DOT
DHS	JA

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV	X			

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Thomas			✓	
	Egan	X			
	Olson			✓	
	Ellis	X			
CO-CHAIR: 	Hoffman	✓			
CO-CHAIR: 	[unclear]			✓	

**CS FOR SENATE BILL NO. 19(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-SEVENTH LEGISLATURE - FIRST SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATOR FRENCH**

**A BILL**

**FOR AN ACT ENTITLED**

1 **"An Act specifying the vehicle rental tax for motorcycles and motor-driven cycles; and**  
2 **providing for an effective date."**

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

4 **\* Section 1.** AS 43.52.030 is amended to read:

5 **Sec. 43.52.030. Levy of recreational vehicle, motorcycle, and motor-driven**  
6 **cycle rental tax.** There is imposed an excise tax on the charge for the lease or rental of  
7 a recreational vehicle, **motorcycle, or motor-driven cycle** in this state if the lease or  
8 rental of the recreational vehicle, **motorcycle, or motor-driven cycle** does not exceed  
9 a period of 90 consecutive days.

10 **\* Sec. 2.** AS 43.52.040 is amended to read:

11 **Sec. 43.52.040. Rate of recreational vehicle, motorcycle, and motor-driven**  
12 **cycle rental tax.** The rate of the tax levied in AS 43.52.030 is three percent of the total  
13 fees and costs charged for the lease or rental of the recreational vehicle, **motorcycle,**  
14 **or motor-driven cycle.**

1 \* **Sec. 3.** AS 43.52.060 is amended to read:

2           **Sec. 43.52.060. Applicability of the tax.** The provisions of AS 43.52.010 -  
3           43.52.099 apply to a passenger vehicle, [OR] recreational vehicle, motorcycle, or  
4           motor-driven cycle whether or not the vehicle is registered and licensed in this state.

5 \* **Sec. 4.** AS 43.52.099(2) is amended to read:

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

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

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

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

17                     (D) a recreational vehicle;

18                     (E) a taxicab;

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

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

26                     **(H) a motorcycle or a motor-driven cycle;**

27 \* **Sec. 5.** AS 43.52.099 is amended by adding new paragraphs to read:

28                     (6) "motorcycle" has the meaning given in AS 28.90.990;

29                     (7) "motor-driven cycle" has the meaning given in AS 28.90.990.

30 \* **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

# FISCAL NOTE

**STATE OF ALASKA**  
**2011 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
 Bill Version CSSB19(FIN)  
 () Publish Date \_\_\_\_\_

Identifier (file name) CSSB19(FIN)-DOR-TAX-03-30-11 Dept. Affected Revenue  
 Title Passenger Vehicle Rental Tax Appropriation Taxation and Treasury  
 Allocation Tax Division  
 Sponsor Senator French  
 Requester Senate Finance 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 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants								
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>0.0</b>

<b>CAPITAL EXPENDITURES</b>								
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<b>CHANGE IN REVENUES</b>		<b>0.0</b>	<b>(8.4)</b>	<b>(8.4)</b>	<b>(8.4)</b>	<b>(8.4)</b>	<b>(8.4)</b>	<b>(8.4)</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 (please identify)								
<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>	<b>0.0</b>

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)**

Vehicle rental tax on motorcycle rentals was exempt in previous version. In this version, those rentals are taxed at 3%.

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 3/30/11; 11:00am  
 Date 3/30/11; 11:41am

FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. CSSB19(FIN)

**Analysis**

Bill Language:

This bill would reduce the tax rate on rental of motorcycles from 10% to 3%.

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 \$8,400 to about \$3,600 in total vehicle rental tax each year as a result of this legislation.

Expenditures:

The department can implement the provisions of the bill with existing resources.

# FISCAL NOTE

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

Fiscal Note Number 1  
Bill Version SB 19  
(S) Publish Date 2/21/11

Identifier (file name) SB19-DOR-TAX-02-16-11 Dept. Affected Revenue  
Title Passenger Vehicle Rental Tax Appropriation Treasury and Taxation  
Allocation Tax Division  
Sponsor Senator French  
Requester Senate Transportation OMB Component Number 2476

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

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

OPERATING EXPENDITURES	Appropriation Required	Information					
	FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants							
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>0.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES</b>			(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							
1178 Temporary Code							
<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>	<b>0.0</b>

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)

First version of fiscal note.

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 2/16/11; 1:00pm  
Date 2/16/11; 1:32pm

FISCAL NOTE #1

STATE OF ALASKA  
2011 LEGISLATIVE SESSION

BILL NO. SB 19

**Analysis**

**Bill Language:**

This bill would exempt motorcycles from the 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 year as a result of this legislation.

**Expenditures:**

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

Adopted  
3/30/11

27-LS0157\M  
Luckhaupt  
3/23/11

**CS FOR SENATE BILL NO. 19(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR FRENCH

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act specifying the vehicle rental tax for motorcycles and motor-driven cycles; and  
2 providing for an effective date."

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

4 \* **Section 1.** AS 43.52.030 is amended to read:

5 **Sec. 43.52.030. Levy of recreational vehicle, motorcycle, and motor-driven**  
6 **cycle rental tax.** There is imposed an excise tax on the charge for the lease or rental of  
7 a recreational vehicle, **motorcycle, or motor-driven cycle** in this state if the lease or  
8 rental of the recreational vehicle, **motorcycle, or motor-driven cycle** does not exceed  
9 a period of 90 consecutive days.

10 \* **Sec. 2.** AS 43.52.040 is amended to read:

11 **Sec. 43.52.040. Rate of recreational vehicle, motorcycle, and motor-driven**  
12 **cycle rental tax.** The rate of the tax levied in AS 43.52.030 is three percent of the total  
13 fees and costs charged for the lease or rental of the recreational vehicle, **motorcycle,**  
14 **or motor-driven cycle.**

1 \* **Sec. 3.** AS 43.52.060 is amended to read:

2 **Sec. 43.52.060. Applicability of the tax.** The provisions of AS 43.52.010 -  
3 43.52.099 apply to a passenger vehicle, [OR] recreational vehicle, motorcycle, or  
4 motor-driven cycle whether or not the vehicle is registered and licensed in this state.

5 \* **Sec. 4.** AS 43.52.099(2) is amended to read:

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

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

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

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

17 (D) a recreational vehicle;

18 (E) a taxicab;

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

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

26 **(H) a motorcycle or a motor-driven cycle;**

27 \* **Sec. 5.** AS 43.52.099 is amended by adding new paragraphs to read:

28 (6) "motorcycle" has the meaning given in AS 28.90.990;

29 (7) "motor-driven cycle" has the meaning given in AS 28.90.990.

30 \* **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

**State of Alaska**  
Department of Revenue  
*Administrative Services Division*



**SEAN PARNELL, GOVERNOR**  
333 Willoughby Avenue, 11<sup>th</sup> Floor  
P.O. Box 110400  
Juneau, Alaska 99811-0405  
Phone: (907) 465-2300  
Fax: (907) 465-2394

March 9, 2011

The Honorable Bert Stedman  
Senate Finance Committee  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801

Dear Senator Stedman,

During the March 8<sup>th</sup> hearing on SB 19 (exempting motorcycles from the vehicle rental tax), you asked for the following information:

**Question:** How many motorcycle rental businesses are in Alaska?

**Answer:** We have identified four motorcycle rental businesses.

**Question:** Why wasn't the tax collected?

**Answer:** At the time the vehicle rental tax was first implemented (January 1, 2004), we were not aware that motorcycles were rented in Alaska. We sent a letter to all known passenger and recreational vehicle rental places, but did not include a letter to motorcycle rental businesses. In August 2009, one of our investigators informed our auditor that one of the motorcycle sales places was also renting motorcycles. We initially assumed that motorcycles were not passenger vehicles and turned to the Department of Law to research the issue for us. The Department of Law informed us that the definition of "passenger vehicle" within the vehicle rental tax statutes includes motorcycles.

**Question:** What policies were taken by the Department to rectify the uncollected tax and what is the plan moving forward?

**Answer:** Once we determined that motorcycles were subject to the tax, we sent letters to all known motorcycle dealers and informed them that they are subject to the vehicle rental tax for all motorcycle rentals made since the inception of the vehicle rental tax. In early 2010, we identified approximately 4 companies that are renting motorcycles and have been working with these companies to bring them into compliance. As far as moving forward, we will continue to work with any company that has not complied with the vehicle rental tax. Those companies are assessed tax, interest, and penalties for failing to file and pay the tax. As with all other taxpayers, they have the right to appeal and each taxpayer will be reviewed on a case-by-case basis.

**Other relevant information:**

The vehicle rental tax went into effect on January 1, 2004. At that time, taxicabs, moving vans and trucks (such as U-Hauls), and vehicles rented while a consumer is having warranty work done on their owned vehicle were subject to the vehicle rental tax. During the 2004 legislative session, taxicabs were exempted from the definition of a "passenger vehicle". During the 2005 legislative session, moving

Senate Finance Committee

March 9, 2011

Page 2 of 2

vans and trucks, and vehicles rented while having warranty work done on an owned vehicle were also exempted from the definition of "passenger vehicle." It is interesting to note that the Municipality of Anchorage specifically excludes motorcycles from their vehicle rental tax.

If you have further questions, please feel free to contact Johanna Bales at [Johanna.bales@alaska.gov](mailto:Johanna.bales@alaska.gov) at (907) 269-6628.

Sincerely,

A handwritten signature in black ink, appearing to read "Ginger Blaisdell".

Ginger Blaisdell  
Director

**Senator Hollis French**

Capitol Room 417  
465-3892  
465-6595 fax



**MEMORANDUM**

Date: 2/21/2011

To: Senator Bert Stedman, Co-Chair  
Senate Finance Committee

From: Senator Hollis French

**RE: Hearing Request for SB 19 – Passenger Vehicle Rental Tax**

---

No changes have been made to SB 19 since it was introduced.



## **Senator Hollis French**

### **Sponsor Statement**

### **SB 19 – Passenger Vehicle Rental Tax**

Senate Bill 19 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.

## **Existing Statutes in Title 43 (Revenue and Taxation Title)**

### **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;

**Sec. 43.52.099. Definitions (cont.)**

(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.

## **Existing Statutes in Title 28 (Motor Vehicle Title)**

### **Chapter 28.90. GENERAL AND MISCELLANEOUS PROVISIONS**

#### **Sec. 28.90.990. Definitions for title.**

(a) Unless otherwise specifically defined or unless the context otherwise requires, in this title and in regulations adopted under this title

(16) "motor vehicle" means a vehicle which is self-propelled except a vehicle moved by human or animal power;

(17) "motorcycle" means a vehicle having a seat or saddle for the use of the rider and designed to travel on not more than three wheels in contact with the ground; the term does not include a tractor;

(18) "motor-driven cycle" means a motorcycle, motor scooter, motorized bicycle, or similar conveyance with a motor attached and having an engine with 50 or less cubic centimeters of displacement;

## Example itinerary of an Alaska motorcycle tour

*The tour below will be offered twice during the summer of 2011. For more information about it, visit:*

*<http://www.motoquesttours.com/guided-alaska-motorcycle-tours.php>*

### **Tour Price:**

- Rider sharing twin room \*: US\$ 7,800
- Rider with own room \*: US\$ 9,800
- Couples \*: US\$ 11,300
- Own Bike with shared room: US\$ 5,800
- Own Bike with own room: US\$ 7,800
- \* Includes basic bike rental

## **Northern Expedition Motorcycle Adventure**

See wildlife, ride unmapped mining roads, and meet colorful "sourdough" locals. We will be staying in hotels, historic roadhouses and rugged work camps (that's all they have in Deadhorse!). Get your gear ready, we are headed north!

### **Day 1 - Anchorage**

Please arrive in Anchorage by mid-afternoon. Hotel check-in. Welcome Dinner at one of the finest restaurants in Alaska. Stay in Anchorage.

### **Day 2 - Anchorage to Trapper Creek- 155 miles paved (20 miles dirt option)**

Visit the small town of Talkeetna or ride the mining roads of the Petersville Road. Stay in Trapper Creek area. Dinner in Trapper Creek.

### **Day 3 - Trapper Creek to Fairbanks - 251 miles paved**

Ride through the Alaska Range, and have a chance of seeing North America's tallest peak: Mt. McKinley. Stay in Fairbanks.

### **Day 4 - Fairbanks to Central - 128 miles (100 miles dirt)**

We ride the Steese Highway to Central. Along the way, we will be exploring some historic mining roads, which branch off this dirt highway.

### **Day 5 - Free Day in Central (Up to 150 miles of dirt riding)**

This day is up to you: Rest, read, relax, or explore around the area. You can ride to the native town of Circle City, located on the Yukon River (35 miles). You can also join our guides and explore some of the mining roads in the area. You may also check out a working gold mine! Stay in Central.

**Day 6 - Central to Yukon River** - 280 miles (170 miles dirt)

We will retrace our ride on the Steese Highway and head north to the Yukon River. This will be our longest day of riding and will take us to the banks of the famous Yukon River! Stay on banks of the Yukon River.

**Day 7 - Yukon to Coldfoot**- 133 miles (45 miles dirt)

We cross the Arctic Circle on this day. Though not a long day of touring, there is the town of Wiseman to explore in the Coldfoot area or perhaps fishing for grayling along the way.

**Day 8 - Coldfoot to Deadhorse**- 239 miles (200 miles dirt)

One of our longest days of touring, we will be riding the most northerly road in North America! We will cross the remote Brooks Range at Atigun Pass. Scenery is world-class, and the chance of seeing wildlife (from Grizzlies, Dall sheep, Caribou, to Moose) is high. Stay in Deadhorse.

**Day 9 - Transfer Day in Deadhorse**

Riders done with the trip may take the morning tour of Prudhoe Bay and the Arctic Ocean before flying back to Anchorage. (Alaska Airlines runs daily flights)

Riders arriving this day may take the Arctic Ocean Tour in the afternoon before joining us for a welcome dinner.

**Day 10 - Deadhorse to Coldfoot** - 239 miles (200 miles dirt)

We will be riding from the most northerly point on the road system in North America. We will cross the remote Brooks Range at Atigun Pass. Scenery is world-class, and the chance of seeing wildlife (from Grizzlies, Dall Sheep, Caribou, to Moose) is high. Stay in Coldfoot.

**Day 11 - Coldfoot to Manley Hot springs** - 240 miles (100 miles dirt)

Cross the Arctic Circle and the Yukon River, on your way to the historic mining town of Manley Hot springs. Stay in Manley Hotsprings.

**Day 12 - Free day in Manley Hotsprings.**

This day is up to you: Rest, relax, soak in the hot springs or explore around the area on your motorcycle with the guides. We have a chance to check out some of the mining roads in the area, exploring some fantastic areas. Other activities include Pike fishing or visiting a dog sled kennel. Stay in Manley Hotsprings.

**Day 13 - Manley Hot springs to Chatanika** - 182 miles, (80 miles dirt)

We will make the "run to Rampart" on the Yukon River, in search of Wyatt Earp's alleged Cabin! Stay in Chatanika. Explore an abandoned dredge, visit a native village. Stay in Chatanika.

**Day 14 - Chatanika to Paxson Area** - 195 miles paved

Ride through the Alaska Range at Isabel Pass. Enjoy spectacular scenery while riding the paved Richardson Highway. You can even stop in and say "hi" to Santa in North Pole! Stay in Paxson Area.

**Day 15 - Paxson area to Denali Highway - 60 miles (59 miles dirt)**

Today is our day to ride the dirt! The Denali Highway offers dramatic sweeping views of the Alaska Range, with its looming peaks and scenic glaciers. Ride epic mining roads off the Denali Highway. Stay on the Denali Highway.

**Day 16 - Gracious House to Anchorage - 262 miles (50 miles dirt)**

The Denali Highway: superb views of the Alaska Range from the south and chance to see Mt. McKinley from the Denali and Parks Highways. In Anchorage you're sure to enjoy the farewell party at our shop this evening. A catered dinner and hotel room within walking distance are also included for the night.

MotoQuest

4346 Spenard Road

Anchorage, Alaska

February 4th, 2011

Dear Senator French,

Thank you for introducing Senate Bill 19.

I was born and raised in Alaska and own a company called Alaska Rider Tours (recently changed to MotoQuest). It has been in existence for 12 years. We provide organized motorcycle tours, self-guided motorcycle tours and motorcycle rentals for independent travelers.

The vehicle rental tax of 10% is inappropriate for the motorcycle rental industry.

**1. Motorcycles are NOT cars:**

The Anchorage Municipality defines this as such, why not the state? We have a lower carbon footprint. We do not cause roadway damage like cars. Our rental season is much shorter than cars and motor homes.

**2. Why were we not notified of the TAX?**

At the inception of this tax, none of the motorcycle rental operators were notified. Within the parameters of this tax, motorcycles fell into the passenger vehicle category, and therefore became part of this law. 80% of our clients do not carry a passenger. When I went into the state revenue office to explain why we have not paid our taxes for the past 4 years, they exempted me with the comment "our lawyers weren't even thinking about motorcycle when we drafted the bill."

**3. Seasonality:**

In Alaska, the motorcycle industry has the shortest rental season in the world. We are operating in the red to this date, and now a TAX? We already charge \$230 per day for our premium bike, and now we will price ourselves out of the market. We already charge more than double what other operators do in the lower 48.

**4. Competition:**

Rental operators conducting motorcycle tours in our state can bring up their own bikes during our short season, and compete with us without paying this tax!

**5. Income to Mom and Pop:**

We send many folks to the out-of-the-way mom and pop roadhouses, not on the Princess Radar. These places are hurting, and are very happy to have our business. I will be happy to organize a petition with them signing it.

Here is a list of lodges that we regularly visit. I invite you to contact them and discuss our long standing relationship with them, and the needed income we generate for these remote locations.

- Chatanika Lodge, Chatanika
- Copper Center Lodge, Copper Center
- Steese Roadhouse, Central
- Gracious Lodge, Denali Highway
- Sheep Mountain Lodge, Glenn Highway
- Magestic Valley Lodge, Glenn Highway
- Tangle River Inn, Paxson
- The Perch, Cantwell
- Manley Hotsprings Roadhouse, Manley Hotsprings
- Coldfoot Camp, Coldfoot
- Arctic Caribou Inn, Prudhoe Bay
- Land's End Resort, Homer
- Alaska Wildland Adventure, Cooper Landing
- Harbor View Inn, Valdez

#### **6. Job Loss**

As of now, I am running in the red. How can I shoulder this tax? It drives customers away from us. I have 10 employees during the summer months and pay state and federal taxes for them. Their jobs are in jeopardy.

**7. To Whom it May Concern:** What can you do? Please consider nullifying this tax for motorcycles! The municipality of Anchorage clearly defines motorcycle in a different category. Why NOT the State of Alaska? Can you help us change the law to NOT include motorcycles?

Senator French, I am a long standing resident and entrepreneur in Alaska...indeed, I have lived here longer than most, and want to continue living here. I am appalled at this TAX and thank you for your efforts in supporting and protecting the motorcycle rental industry in Alaska.

Sincerely,

Philip Freeman

Owner

MotoQuest

# Alaska Motorcycle Adventures

P.O. Box 2033 Palmer, AK 99645

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[www.rentalaska.com](http://www.rentalaska.com)

February 4, 2011

Honorable Senators and Representatives:

We are writing to you to ask for your support of Senate Bill 19 and House Bill 62 regarding Passenger Vehicle Rental Tax.

[http://www.legis.state.ak.us/basis/get\\_bill.asp?session=27&bill=SB19](http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=SB19)

[http://www.legis.state.ak.us/basis/get\\_bill.asp?session=27&bill=hb62](http://www.legis.state.ak.us/basis/get_bill.asp?session=27&bill=hb62)

We are the owners of Alaska Motorcycle Adventures. A small business located in the Palmer, Alaska. We have been renting motorcycles in Alaska since 1994. Yes, 2011 will be our 18<sup>th</sup> summer providing a great service for Alaskan tourists that would choose to vacation elsewhere if it were not for the availability of motorcycle rentals.

In 2003, the Alaska legislature passed HB 271, a vehicle rental tax on passenger vehicles, without any knowledge or discussion of the motorcycle rental businesses that were operating at that time.

According to AS.28.90.990, motorcycles are not "passenger vehicles" just as farm vehicles are not "passenger vehicles". By not specifically addressing motorcycles and motorcycle rental business in 2003, the Alaska Legislature has allowed the Department of Revenue to make a very open interpretation of the "passenger vehicle rental tax" and this has had "unintended consequences" for our customers and businesses.

Please consider the following:

Alaska's motorcycle rental businesses were unknowingly omitted from all discussion concerning the Vehicle Rental Tax when was passed in 2003 under HB 271. The Alaska Legislature, the Senate Transportation Committee, and the Department of Revenue were completely unaware that our businesses existed, even though Alaska Motorcycle Adventures had been in business since 1994. We were completely unaware such a tax had been discussed and passed in HB 271.

Therefore, from 2004 – 2009 (SIX years) our customers were not taxed. In 2008, a Department of Revenue employee was driving on Spenard Road in Anchorage and saw the store front for one of the motorcycle rental companies (Alaska Rider Tours/MotoQuest). Soon after, most of us were contacted by DOR, and told to start collecting the 10% tax. In addition, the Department of Revenue requested the back taxes, from 2005 to 2009 - 5 years of taxes that we did not collect - something that

would have bankrupt every one of our small businesses! After much discussion, the back taxes were forgiven as we had never collected them and we were completely unaware we required to do so.

When HB 271 was discussed in 2003, motorhome and RV rental companies received word that such a tax was being considered. This group of locally owned businesses had a spokesperson present the facts of their rate and fee structure. As a result of their lobbying and inclusion in the discussion, the Vehicle Rental Tax on motor home and RV rentals was reduced to 3%. In addition, there are specific exemptions from the motorhome rental's "fees and costs" such as pots, pans, linens, GPSs, cell phones, child seats, etc. The RV per day rate structure is very similar to ours, yet our customers pay the 10%. Our rentals also include items such as helmets, riding jackets, GPS's, cell phones, tank bags and remote riding surcharges. Per the Department of Revenue, all of our customer's fees and costs are taxed at the 10% - NO EXEMPTIONS!

Below is a chart of examples from actual rentals in 2010. Please compare to the tax for a motorcycle rental to the tax for a same cost motorhome/RV rental:

Customer	Hometown	Total Rental Amount	VRT – Motorcycle @ 10%	VRT – RV / Motorhome @ 3%
Mr. and Mrs. P 2 Motorcycles / 11 days	Seward, Alaska	\$3860.00	\$386.00	\$115.80
Mr. B 1 Motorcycle / 12 days	Groveland, Mass.	\$2280.00	\$228.00	\$68.40
Mr. I 1 Motorcycle / 11 days	Denver, Colorado	\$1765.00	\$176.50	\$52.95
Mr. K 1 Motorcycle / 6 days	Scottsdale, Arizona	\$1230.00	\$123.00	\$36.90

**Mr. E's Motorcycle Tours (Sweden) \*\***

7 motorcycles - total Vehicle Rental Tax \$1,435.00

\$14,350.00 = Total Charge ---  $\$1,435.00 \times 10\% = \$1,435.00$  in Vehicle Rental Tax

**Same rental for an motorhome/RV = \$430.50 tax**

**\*\* MotoQuest (another Alaskan motorcycle rental company) provided an additional 5 motorcycles with a Vehicle Rental Tax of approximately \$1000.00 to \$1200.00. So, Mr. E's total Vehicle Rental Tax could have been over \$2400.00 ( $\$1435.00 + \$1000.00 = \$2435.00$  – YIKES!)**

As you can see from our rate structure, the Vehicle Rental Tax is extremely high - especially when applied to a 6, 12 or 14 day rental. Please note that there is no tax cap that would help Mr. & Mrs. P of Seward, Alaska (\$386.00 tax) or Mr. E. of Sweden (\$1,435.00 tax) for their motorcycle rentals in Alaska.

In 2010, the Cruise industry's punitive and damaging head tax was reduced from \$46.00 per person (\$92.00 per couple) to \$34.50 (69.00 per couple). Comparatively, we believe the original \$92.00 per couple head tax for use of Alaskan facilities and marketing efforts was quite reasonable.

Also consider that our motorcycle rental customers put more dollars per tourist into the local economies than the motorhome rentals or cruise ship passengers do. Motorhome rental customers do not use the local hotels, restaurants and facilities that are frequented by our motorcycle rental customers. Our motorcycle rental customers frequent remote locations like Chicken, Wiseman, Tangle River, Paxson, McCarthy, Eagle, Gracious House, Central, Circle and the list goes on. Businesses in these locations rarely see an RV or motorhome and almost never see a cruise ship passenger!

In 2004, **HB347** was introduced to correct the unintended inclusion of Taxi cabs. This was passed into law and the exemption was granted. In 2005, **SB174** was introduced for the local moving van companies (i.e. U-Haul) to ask for an exemption and correct their unintended inclusion, because Alaskan residents should not be taxed to move their belongings. This was passed into law and the exemption was granted. These two Bills asking for changes and exemptions should be proof and verification to the current Transportation Committee and Alaska legislature that a few rental markets were not evaluated upon implementation of the Vehicle Rental Tax in 2003.

We believe that if the Transportation Committee and the Alaska legislature had been aware of our motorcycle rental businesses in 2003, they would have addressed the issue that motorcycles are not "passenger vehicles" and not left this to open interpretation by the Department of Revenue.

The unintended consequence of the excessive Vehicle Rental Tax is that our customers choose to rent the motorcycle(s) for fewer days to cover or reduce their rental tax. Or they choose not to visit Alaska at all! When we have fewer rental days, we need fewer employees, we buy fewer lattes and we spend fewer dollars in other Alaskan businesses. This hurts all of the small, locally owned businesses that are so vital to our Alaskan economy. A simple estimate for the gross receipts for all of the motorcycle rental companies would be approximately \$500,000 for the summer of 2011. This would be only \$50,000 in the Alaska State coffers - a very, very small amount of money! However, a very large amount of money when collected from a very small number of Alaskan tourists!

Thank you for your heartfelt consideration of passing into law HB 62 and SB 19. Please contact me if you need further information or have any questions.

Kind regards,  
Nancy and Keith Hull  
Owners, Alaska Motorcycle Adventures  
(907) 376-4513

[information@rentalaska.com](mailto:information@rentalaska.com)  
[www.rentalaska.com](http://www.rentalaska.com)

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

February 1, 2011

Senator Hollis French  
State Senate  
State of Alaska

Dear Senator French,

Thank you for introducing SB19 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 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