

HB

314

<TARGET><BILL>HB 314</BILL><SUBJECT>HB
314</SUBJECT><COMM>HFIN28</COMM></TARGET>

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSHB 314(TRA)
Fiscal Note Number: 1
(H) Publish Date: 4/2/14

Identifier: HB314CS(TRA)-DOR-TAX-04-01-14
Title: PASSENGER VEHICLE RENTAL TAX
Sponsor: THOMPSON
Requester: (H)Transportation

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates				
			FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues	***	***	***	***	***	***	***
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Reflects the CS in H TRA for version C.

Prepared By: Matt Fonder, Director
Division: Tax
Approved By: Angela M. Rodell, Commissioner
Agency: Department of Revenue

Phone: (907)269-6628
Date: 04/01/2014 01:00 PM
Date: 04/01/14

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSHB 314(TRA)

Analysis

Bill Language:

This bill makes a few minor changes to the vehicle rental tax statutes.

Primarily, the bill changes the current timeframe for exemption of "long-term" leases from 90-days to 28-days. The bill also clarifies that any extension to the original contract (that is exempt as a "long-term" lease) is also exempt so long as the original contract is in writing, the original contract is not terminated before the expiration of 28-days, the extension is agreed upon prior to the expiration of the initial 28-day lease, and there is no break between the initial lease period and the period of extension.

The bill also repeals two sections of current law relating to the rental of recreational vehicles, and re-inserts those provisions in other areas of AS 43.52. This is not a substantive change.

Revenues:

There may be a minimal reduction in vehicle rental taxes collected as a result of these changes. However, the amount of potential reduction is indeterminate. It is difficult for DOR to estimate the revenue impact on the state as a result of this legislation as DOR does not have detailed information on the number of vehicle rental contracts which are currently 28-days or longer. However, the department does not anticipate that this would have much of an impact on the amount of vehicle rental taxes collected.

Expenditures:

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

Regulations:

The department does not anticipate that it will need to adopt regulations to implement the provisions of this bill.

bp

Randal G. Buckendorf

Managing Counsel
Alaska Region



BP Exploration (Alaska) Inc.
900 E. Benson Boulevard
Anchorage, AK 99508

P.O. Box 196612
Anchorage, AK 99519-6612

February 14, 2014

voice: 907 564.5289

fax: 907 564 4031

Randal.buckendorf@bp.com

Via Fax (907) 465.2389 and Certified Mail/Return Receipt Requested

Commissioner Angela Rodell
State of Alaska
Department of Revenue
P.O. Box 110400
Juneau, Alaska 99811

Re: Applicability of State Vehicle Rental Tax to Vehicles under Long-Term Leases Used in BPXA's North Slope Oil and Gas Operations

Dear Commissioner Rodell:

BP Exploration (Alaska), Inc. ("BPXA") recently learned that the State of Alaska Department of Revenue ("DOR") is attempting to collect a 10% excise tax on the gross fees and costs charged for any "passenger vehicle" leased to BPXA (and possibly others) for use in our North Slope Operations. We are aware that in response to a query from Senator Micciche, DOR unequivocally stated that the tax in question applies to vehicles leased on the North Slope. See Attachment 1 (November 29, 2013 email from Senator Micciche's office and December 3, 2013 response). BPXA respectfully disagrees that the passenger vehicle rental tax imposed under AS 43.52 applies to the motor vehicles BPXA leases. We write to provide you with some history and background concerning State regulation of North Slope roads that may be helpful to you.

BPXA operates 13 North Slope oil fields, including the Prudhoe Bay, Endicott, and Milne Point fields. As operator, BPXA uses hundreds of passenger vehicles. Most are large four-door pickup trucks. Many of these vehicles are purchased outright, but others are utilized via long-term leases. The leased vehicles are picked up and dropped off at vendor locations in Deadhorse and all are used inside the numerous oilfields BPXA operates.

The motor vehicles that BPXA leases¹ do not meet the definition of "passenger vehicle" under the statute. This term is limited to motor vehicles "driven or moved on a highway or other public right-of-way in the state" AS 43.52.099(2)

¹ Of course, BPXA is not in a position to comment regarding applicability of the vehicle rental tax to other parties who lease or rent vehicles.

(emphasis added). No definitions of the underlined terms are provided by AS 43.52. However, the Alaska Department of Transportation ("ADOT") and the Division of Motor Vehicles ("DMV"), both of which are copied on this letter, have previously determined that the roads in Deadhorse and the rest of BPXA's North Slope fields are not considered public highways or rights-of-way under State law. Public highways are generally defined in terms of those roads to which the public has an unlimited right of access and that are maintained by the State or a local municipality. Because Deadhorse and the North Slope fields are industrial oil and gas operations, BPXA restricts access to protect public safety. BPXA also performs all maintenance on those roads. To make it clear to the general public that it is leaving the public portion of the "Haul Road," signage located approximately eight-tenths of a mile from the "T" intersection of the Dalton Highway and Lake Colleen Road establishes that Deadhorse and the North Slope oilfields are restricted access areas. See Attachment 2 (Photo of Restricted Access Sign and Map showing its location).

As with the application of AS 43.52, the ADOT's authority to enforce commercial motor vehicle ("CMV") regulations depends on whether the roads are public highways. Lacking a State definition, ADOT looked to federal regulations to make this determination. 49 CFR sec. 390.5 defines "highway" as:

any road, street, or way, whether on public or private property, open to public travel. The term "open to public travel" means that the road section is available, except during scheduled periods, extreme weather or emergency conditions, passable by four-wheel standard passenger cars, and open to the general public for use without restrictive gates, prohibitive signs, or regulation other than restrictions based on size, weight, or class of registration. . . .

Based on the facts that: (1) the roads are not publicly maintained; and (2) public access is restricted, ADOT concluded that the CMV regulations did not apply to the North Slope and Deadhorse roads because they were not "highways." We understand that the Department of Law and Department of Natural Resources concurred with this determination. However, to emphasize the fact that access to the roads in question is restricted, BPXA and ADOT agreed that BPXA would post the above-mentioned sign with the following language:

YOU ARE NOW LEAVING STATE MAINTAINED ROADS AND ENTERING AN INDUSTRIAL AREA IN WHICH HEAVY EQUIPMENT MAY BE OPERATING. USE CAUTION WHEN ENCOUNTERING HEAVY EQUIPMENT ON ROADWAYS AND OBEY ALL TRAFFIC SIGNS. ACCESS WILL AT TIMES BE RESTRICTED BEYOND THIS POINT. FOR ADDITIONAL INFORMATION CONTACT PBU SECURITY AT 907 659-5631.

See Attachment 2.

More recently, an issue came up regarding applicability of the vehicle registration requirements for vehicles being used in Deadhorse or the North Slope oilfields. In the Summer of 2013, the Director of the DMV issued a directive to DMV staff confirming that the registration requirements did not apply because vehicles driven in those areas are considered to fall under the "driven in areas exempt from registration" exemption provided for in DMV's Standard Operating Procedure "T-80" and the "driven or parked on private property" exemption set out in AS 28.10.011(7). The DMV thereafter notified the Alaska Trucking Association and other interested parties that DMV would continue to process "title only" requests for vehicles with a Deadhorse or other North Slope oil field address without any issue or registration requirements.

We believe the State of Alaska agencies having primary jurisdiction over the status of the Deadhorse and North Slope oil field roads have thoroughly evaluated whether vehicles operating in these areas are subject to State regulation and have concluded that they are not. In reaching their conclusions, both agencies were mindful of the significant costs the State would incur to publicly maintain the roads in question. DOR's present attempt to apply the passenger vehicle rental tax contradicts these prior determinations.

Setting aside the fact that the motor vehicles BPXA leases fall outside the statutory definition of "passenger vehicles," there are also statutory exemptions that would likely apply to the motor vehicles leased by BPXA. Because the statutory exemptions are very fact-specific, the vehicle rental tax could not be applied to any BPXA lease transaction without an analysis on a case-by-case basis of each exemption. For instance, the tax is only applicable if the lease or rental of the vehicle "does not exceed a period of 90 consecutive days." AS 43.52.010; see also 15 AAC 52.030. Many of the motor vehicles BPXA leases for use in Deadhorse and its North Slope oilfields are leased for periods much longer than 90 consecutive days. Additionally, vehicles having "a gross vehicle weight rating greater than 8,500 pounds . . . designed, used or maintained primarily for the transportation of personal property" are exempt from the statutory definition of "passenger vehicle." AS 43.52.099(2)(F). A percentage of trucks that BPXA leases would fall under this exemption.

BPXA has never considered AS 43.52 applicable to equipment leased by BPXA for use in Deadhorse or any of the North Slope field locations. To the best of its knowledge, BPXA has neither paid the tax to any of its vendors, nor until DOR's recent attempt to apply the tax, been specifically invoiced for such. Continued attempts by DOR to apply the tax to vehicles leased by BPXA for exclusive use in Deadhorse and the North Slope oil fields would contradict prior determinations by ADOT and DMV that the roads in question are not "highways." If the roads are considered highways, the implications would reach far beyond the current rental tax issue. Questions regarding road maintenance responsibility, compliance with transportation regulations, applicability of fuel and transportation taxes, and

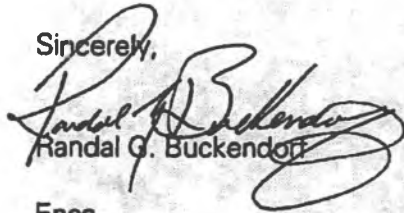
Commissioner Angela Rodell
February 14, 2014
Page 4

enforcement would need to be globally addressed by the State and North Slope oil and gas operators.

BPXA would welcome the opportunity to meet with you to discuss this matter further. Please let us know if you would like to schedule such a meeting.

Thank you in advance.

Sincerely,



Randal G. Buckendorf

Encs.

Cc: Commissioner Patrick J. Kemp, P.E., Alaska DOT
Director Amy Erickson, Alaska Division of Motor Vehicles
Phil Cochrane, VP External Affairs, BPXA
Amy Mackenzie, Counsel, BPXA

Hello Larry,

Please see my attached response and relevant enclosures. I apologize I couldn't get this to you yesterday. Please let me know if you have any follow up questions.

Thank you most kindly,
Lacy

Lacy Wilcox
Special Assistant
Department of Revenue
907.465.2301

From: Larry Semmens [<mailto:Larry.Semmens@akleg.gov>]
Sent: Friday, November 29, 2013 4:32 PM
To: Wilcox, Lacy J (DOR)
Subject: AS 43.52

Hi Lacy

This is follow-up to our phone conversation today.

A constituent received a letter from Jonathan Page, Tax Auditor III, regarding payment of taxes due on passenger vehicle rentals per AS 43.52. This constituent is in the equipment leasing business and operates primarily on the North Slope.

Please tell me if enforcement of this tax on companies leasing vehicles on the North Slope is a new priority for the Department or is there evidence that this particular segment of the industry has been expected to collect and remit the tax from the beginning of the law being in effect in 2004?

If they have been expected to comply is there evidence that businesses have been complying? I ask this because it sounded to me like none of colleagues of our constituent knew that they were supposed to be collecting the tax.

If this is a new interpretation of the applicability of the law, it seems like retroactive collection of the tax may be unreasonable. My own experience in this type of situation is that if the law was not clear in application, but was made clear at some point in time, the enforcement of the tax would be prospective from that point in time.

From what I have been told the department is quite heavy handed in their efforts to enforce and collect the tax. This may or may not be appropriate. Our constituent obviously thinks it is not appropriate and is very concerned about the ramifications to his business.

This should get us started. It is likely that we will have more questions. I would appreciate receiving any information you have on this subject on Monday.

Thanks!

Larry Semmens

Chief of Staff to Senator Micciche
145 Main St. Loop #228
Kenai, AK 99611
907-283-7996

Hello Larry,

Please see my attached response and relevant enclosures. I apologize I couldn't get this to you yesterday. Please let me know if you have any follow up questions.

Thank you most kindly,
Lacy

Lacy Wilcox

Special Assistant
Department of Revenue
907.465.2301

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Larry Semmens

Chief of Staff to Senator Micciche
145 Main St. Loop #226
Kenai, AK 99811
907-283-7996



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Angela M. Rodell, Commissioner

333 Willoughby Avenue, 11th Floor
PO Box 110400
Juneau, Alaska 99811-0400
Main: 907.465.2300
Fax: 907.465.2389

December 3, 2013

Larry Semmens
Chief of Staff to Senator Micciche
Alaska State Legislature
145 Main St. Loop #226
Kenai, AK 99611

Dear Mr. Semmens:

This letter is in response to your November 29, 2013 email on vehicle rental tax. Specifically you ask if enforcement of this tax is a new department priority.

Recent actions taken by the department against various rental car companies does not reflect new procedures or interpretations by the department in implementing this tax type. We have been in contact with various rental car companies for the last several years regarding the vehicle rental tax and their responsibility under the law. The tax is required to be collected and remitted for all vehicles rented and operated "on a highway or public right-of-way in the state." This includes vehicles rented on the North Slope.

Enclosed are copies of the vehicle rental tax letters we've sent to known rental car companies beginning in November 2003. We sent similar letters/notices in 2004 and 2005. Once we identify a vehicle rental company that hasn't filed any returns, we send out a compliance letter which is specific to the company. I've attached a sample compliance letter with the taxpayer name redacted. We are unable to provide "all closed rental tax cases" due to the fact that we are required to maintain taxpayer confidentiality pursuant to AS 43.05.230 and AS 40.25.100. However, the included attachments are the types of letters we've sent to all known vehicle rental companies since the vehicle rental tax was enacted in January 2004.

Since 2004, when the vehicle rental tax was established at 10% for any passenger vehicle rentals 90 days or less (AS 43.52), we have sent the compliance letter to approximately 100 vehicle rental companies that we believed were renting vehicles, but were not filing the requisite tax returns or paying the vehicle rental tax. At the release of the 2012 Tax Annual Report there were 118 companies properly filing returns, that number includes any new taxpayers through our compliance efforts.

The Tax Division routinely reviews the business licensing database and compares this list to the Quarterly Tax Returns. When a new company is identified, the Division proactively contacts that company and informs them of the applicable tax laws. Most often, the company comes into

Mr. Larry Semmens
December 3, 2013
Page 2

compliance and files their Quarterly Tax return. Occasionally, the business provides information to the Tax Division indicating that the tax is not applicable to them. Historically, these businesses provide the Division copies of rental agreements showing that they only lease for 90 days or longer.

Per regulation, the tax also applies to any extensions of less than 90 days after the initial 90 day contract or any cancellations of contracts prior to 90 days (15 AAC 52.030). The intent of the legislation was to exempt long term rentals and leases from the vehicle rental tax. The regulations were written to ensure that any potential loopholes regarding the 90 day threshold were closed. For example, businesses that are truly renting vehicles for more than 90 days should have no difficulty in complying with the law and writing contracts with those terms. If someone rents a vehicle for 60 days and then comes back a month later and rents the vehicle another 60 days, we believe that these rentals are subject to the tax and meet legislative intent.

In the Department, it is our goal to get the business into voluntary compliance through education before they rise to the level of an investigation. We tend to open investigations only when all other avenues have been exhausted.

I do believe the regulations meet legislative intent and the department is appropriately enforcing our laws.

Please let me know if I can further assist.

Sincerely,



Lacy Wilcox
Special Assistant/ PIO

Enclosures

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

Sean Parnell, Governor

State Office Building
PO Box 110420
Juneau, AK 99811-0420
907.465.2320


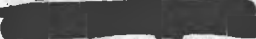
550 W Seventh, Suite 500
Anchorage, AK 99501-3500
907.269.6920

www.tax.state.ak.us

August 31, 2010


Re: Alaska Vehicle Rental Tax Compliance

Dear 

It has come to the attention of the Alaska Tax Division that  engages in passenger vehicle rental/leasing business activity. We have not received State of Alaska, Vehicle Rental Tax, Quarterly Tax Returns from  Effective on January 1, 2004, the State of Alaska imposed a 10% excise tax on the gross fees and costs charged for the rental of a passenger vehicle if the lease or rental does not exceed a period of 90 consecutive days. I invite you to file quarterly tax returns for all tax quarters in which there was vehicle rental income.

Please visit our website at www.tax.state.ak.us for more information about the Vehicle Rental Tax. Here you will find tax forms to download and complete statutes and regulations.

If you any questions, please call me at (907) 269-1023, or Sarah Wilson at (907) 269-1017 for assistance.

Sincerely,

Jonathan Page
Tax Auditor III
(907) 269-1023
(907) 269-6644 Fax

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

State Office Building
PO Box 110420
Juneau, AK 99811-0420

www.tax.state.ak.us website

June 13, 2005

IMPORTANT NOTICE TO CAR AND RECREATIONAL VEHICLE RENTAL AGENCIES

Vehicle Rental Tax effective January 1, 2004 on passenger and recreational vehicle rentals

Effective, January 1, 2004, the Passenger/Recreational Vehicle Rental Tax bill (CSHB 271 (FIN)(eff AM)) became law.

The law imposes a 10% excise tax on total fees and costs charged for the lease or rental of a passenger vehicle and a 3% excise tax on total fees and costs charged for the lease or rental of a recreational vehicle.

Total fees and costs charged include the following:

1. Total compensation for the lease or rental of a passenger or recreational vehicle without regard to billing practices, credit procedures, or bad debts.
2. Total compensation should not be reduced by commissions or fees charged by travel and other agents related to the leasing or rental of a passenger or recreational vehicle

Total fees and costs charged do not include:

1. Fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal property insurance.
2. Parking tickets.
3. Sales and excise taxes.
4. Payment for damages to the vehicle during the rental period.
5. Concession fees paid to an airport.
6. Cancellation fees.
7. Certain adjustments made at the beginning or end of a contract such as for fuel.
8. Rental of GPS or child car seats.
9. Separately itemized charges for personal property such as pots, pans, and linens included in the rental of a recreational vehicle.

The excise tax or vehicle rental tax is not levied on a lease or rental that exceeds 90 consecutive days. Also exempt from the tax is a lease or rental of a passenger or recreational vehicle for official use to federal, state, or local government agencies. The Department of Revenue requires that the following information be provided in order for the renter to qualify for the government use exemption from the vehicle rental tax:

1. Rental/Lease Contract Number.
2. Renter's Name (person who is taking possession of the leased/rental vehicle).
3. Specific governmental agency qualifying for the exemption.
4. Governmental agency's phone number.
5. Rental agency's attest to the proof of the renter's employment or official status with a governmental agency.
6. Signature of the renter declaring under penalty of perjury that the rented car/recreational vehicle will be used for official governmental use only.

The rental agency can either use the government use exemption certificate provided by the Department of Revenue or provide the required information on the rental agency's rental/lease contract or an addendum to the contract. Completed government use exemption certificates are to be filed with the contract and retained for three years.

The rental/lease agency is required to collect the vehicle rental tax from the renter and remit to the Department of Revenue all taxes due and a Vehicle Rental Tax Quarterly Tax Return according to the schedule listed below:

<u>Tax Period</u>	<u>Tax Return & Taxes Due</u>
1/1 - 3/31	April 30
4/1 - 6/30	July 31
7/1 - 9/30	October 31
10/1 - 12/31	January 31

June 13, 2005
Vehicle Rental Tax
Page 2

The first quarter Vehicle Rental Tax Quarterly Tax Return was due on or before April 30, 2005.

We have not received your vehicle rental tax return that was due on or before April 30, 2005. Please file your return as soon as possible.

If you feel that you are not required to file a return, please fill out the enclosed questionnaire and return to the following address:

State of Alaska, Department of Revenue
Tax Division
550 West 7th Avenue, Suite 500
Anchorage, AK 99501
Attn: Sharron Laster

Enclosed with this letter are the Vehicle Rental Tax Quarterly Tax Return and Government Use Exemption Certificate. Also included are the instructions for the tax form. The forms and instructions are available on the State of Alaska's web site. The Internet address is: www.tax.state.ak.us/forms.asp.

Please e-mail your questions to Sharron Laster at Sharron.Laster@revenue.state.ak.us or call her at (907) 269-1095.

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

State Office Building
PO Box 110420
Juneau, AK 99811-0420

www.tax.state.ak.us website

March 9, 2005

On November 12, 2003 and June 4, 2004 this office sent you a letter informing you that effective, January 1, 2004 the Vehicle Rental Tax bill (CSHB 271 (FIN)(efd AM) became law.

The law imposes a 10% excise tax on total fees and costs charged for the lease or rental of a passenger vehicle and a 3% excise tax on total fees and costs charged for the lease or rental of a recreational vehicle.

Total fees and costs charged include the following:

1. Total compensation for the lease or rental of a passenger or recreational vehicle without regard to billing practices, credit procedures, or bad debts.
2. Total compensation should not be reduced by commissions or fees charged by travel and other agents related to the leasing or rental of a passenger or recreational vehicle

Total fees and costs charged do not include:

1. Fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal property insurance.
2. Parking tickets.
3. Sales and excise taxes.
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The excise tax or vehicle rental tax is not levied on a lease or rental that exceeds 90 consecutive days. Also exempt from the tax is a lease or rental of a passenger or recreational vehicle for official use to federal, state, or local government agencies. The Department of Revenue requires that the following information be provided in order for the renter to qualify for the government use exemption from the vehicle rental tax:

1. Rental/Lease Contract Number.
2. Renter's Name (person who is taking possession of the leased/rental vehicle).
3. Specific governmental agency qualifying for the exemption.
4. Governmental agency's phone number.
5. Rental agency's attest to the proof of the renter's employment or official status with a governmental agency.
6. Signature of the renter declaring under penalty of perjury that the rented car/recreational vehicle will be used for official governmental use only.

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March 9, 2005
Vehicle Rental Tax
Page 2

The first Vehicle Rental Tax Quarterly Tax Return was due on April 30, 2004.

To date we have not received one or more quarterly vehicle rental tax returns that were due on or before April 30, 2004 and the three quarters July 31, 2004, October 31, 2004 and January 31, 2004 thereafter. Please file your returns as soon as possible.

If you feel that you are not required to file a return, please fill out the enclosed questionnaire and return to the following address:

State of Alaska, Department of Revenue
Tax Division
550 West 7th Avenue, Suite 500
Anchorage, AK 99501
Attn: Abigail Wiley

Enclosed with this letter are the Vehicle Rental Tax Quarterly Tax Return and Government Use Exemption Certificate. Also included are the instructions for the tax form. The forms and instructions are available on the State of Alaska's web site. The Internet address is: www.tax.state.ak.us/forms.asp.

Please e-mail your questions to Abigail Wiley at abigail_wiley@revenue.state.ak.us or call her at (907) 269-6630.

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

State Office Building
PO Box 110420
Juneau, AK 99811-0420

www.tax.state.ak.us website

June 4, 2004

IMPORTANT NOTICE TO CAR AND RECREATIONAL VEHICLE RENTAL AGENCIES

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3. Specific governmental agency qualifying for the exemption.
4. Governmental agency's phone number.
5. Rental agency's attest to the proof of the renter's employment or official status with a governmental agency.
6. Signature of the renter declaring under penalty of perjury that the rented car/recreational vehicle will be used for official governmental use only.

The rental agency can either use the government use exemption certificate provided by the Department of Revenue or provide the required information on the rental agency's rental/lease contract or an addendum to the contract. Completed government use exemption certificates are to be filed with the contract and retained for three years.

The rental/lease agency is required to collect the vehicle rental tax from the renter and remit to the Department of Revenue all taxes due and a Vehicle Rental Tax Quarterly Tax Return according to the schedule listed below:

<u>Tax Period</u>	<u>Tax Return & Taxes Due</u>
1/1 - 3/31	April 30
4/1 - 6/30	July 31
7/1 - 9/30	October 31
10/1 - 12/31	January 31

June 3, 2004

**Vehicle Rental Tax
Page 2**

The first Vehicle Rental Tax Quarterly Tax Return was due on April 30, 2004.

We have not received your vehicle rental tax return that was due on or before April 30, 2004. Please file your return as soon as possible.

If you feel that you are not required to file a return, please fill out the enclosed questionnaire and return to the following address:

**State of Alaska, Department of Revenue
Tax Division
550 West 7th Avenue, Suite 500
Anchorage, AK 99501
Attn: Janis Hales**

Enclosed with this letter are the Vehicle Rental Tax Quarterly Tax Return and Government Use Exemption Certificate. Also included are the instructions for the tax form. The forms and instructions are available on the State of Alaska's web site. The Internet address is: www.tax.state.ak.us/forms.asp.

Please e-mail your questions to Janis Hales at janis_hales@revenue.state.ak.us or call her at (907) 269-6627.

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

State Office Building
PO Box 110420
Juneau, AK 99811-0420

www.tax.state.ak.us website

November 12, 2003

IMPORTANT NOTICE TO CAR AND RECREATIONAL VEHICLE RENTAL AGENCIES

Vehicle Rental Tax effective January 1, 2004 on passenger and recreational vehicle rentals

On July 18, 2003, Governor Murkowski signed the Passenger/Recreational Vehicle Rental Tax bill (CSHB 271 (FIN)(efd AM)). The law is effective January 1, 2004.

The law imposes a 10% excise tax on total fees and costs charged for the lease or rental of a passenger vehicle and a 3% excise tax on total fees and costs charged for the lease or rental of a recreational vehicle.

Total fees and costs charged include the following:

1. Total compensation for the lease or rental of a passenger or recreational vehicle without regard to billing practices, credit procedures, or bad debts.
2. Total compensation should not be reduced by commissions or fees charged by travel and other agents related to the leasing or rental of a passenger or recreational vehicle

Total fees and costs charged do not include:

1. Fees from the sale of automobile liability insurance, loss damage waiver insurance, and personal property insurance.
2. Parking tickets.
3. Sales and excise taxes.
4. Payment for damages to the vehicle during the rental period.
5. Concession fees paid to an airport.
6. Cancellation fees.
7. Certain adjustments made at the beginning or end of a contract such as for fuel.
8. Rental of GPS or child car seats.
9. Separately itemized charges for personal property such as pots, pans, and linens included in the rental of a recreational vehicle.

The excise tax or vehicle rental tax is not levied on a lease or rental that exceeds 90 consecutive days. Also exempt from the tax is a lease or rental of a passenger or recreational vehicle for official use to federal, state, or local government agencies. The Department of Revenue requires that the following information be provided in order for the renter to qualify for the government use exemption from the vehicle rental tax:

1. Rental/Lease Contract Number.
2. Renter's Name (person who is taking possession of the leased/rental vehicle).
3. Specific governmental agency qualifying for the exemption.
4. Governmental agency's phone number.
5. Rental agency's attest to the proof of the renter's employment or official status with a governmental agency.
6. Signature of the renter declaring under penalty of perjury that the rented car/recreational vehicle will be used for official governmental use only.

The rental agency can either use the government use exemption certificate provided by the Department of Revenue or provide the required information on the rental agency's rental/lease contract or an addendum to the contract.

The rental/lease agency is required to collect the vehicle rental tax from the renter and remit to the Department of Revenue all taxes due and a Vehicle Rental Tax Quarterly Tax Return according to the schedule listed below:

<u>Tax Period</u>	<u>Tax Return & Taxes Due</u>
1/1 - 3/31	April 30
4/1 - 6/30	July 31
7/1 - 9/30	October 31
10/1 - 12/31	January 31

The first Vehicle Rental Tax Quarterly Tax Return will be due on April 30, 2004.

November 12, 2003
Vehicle Rental Tax
Page 2

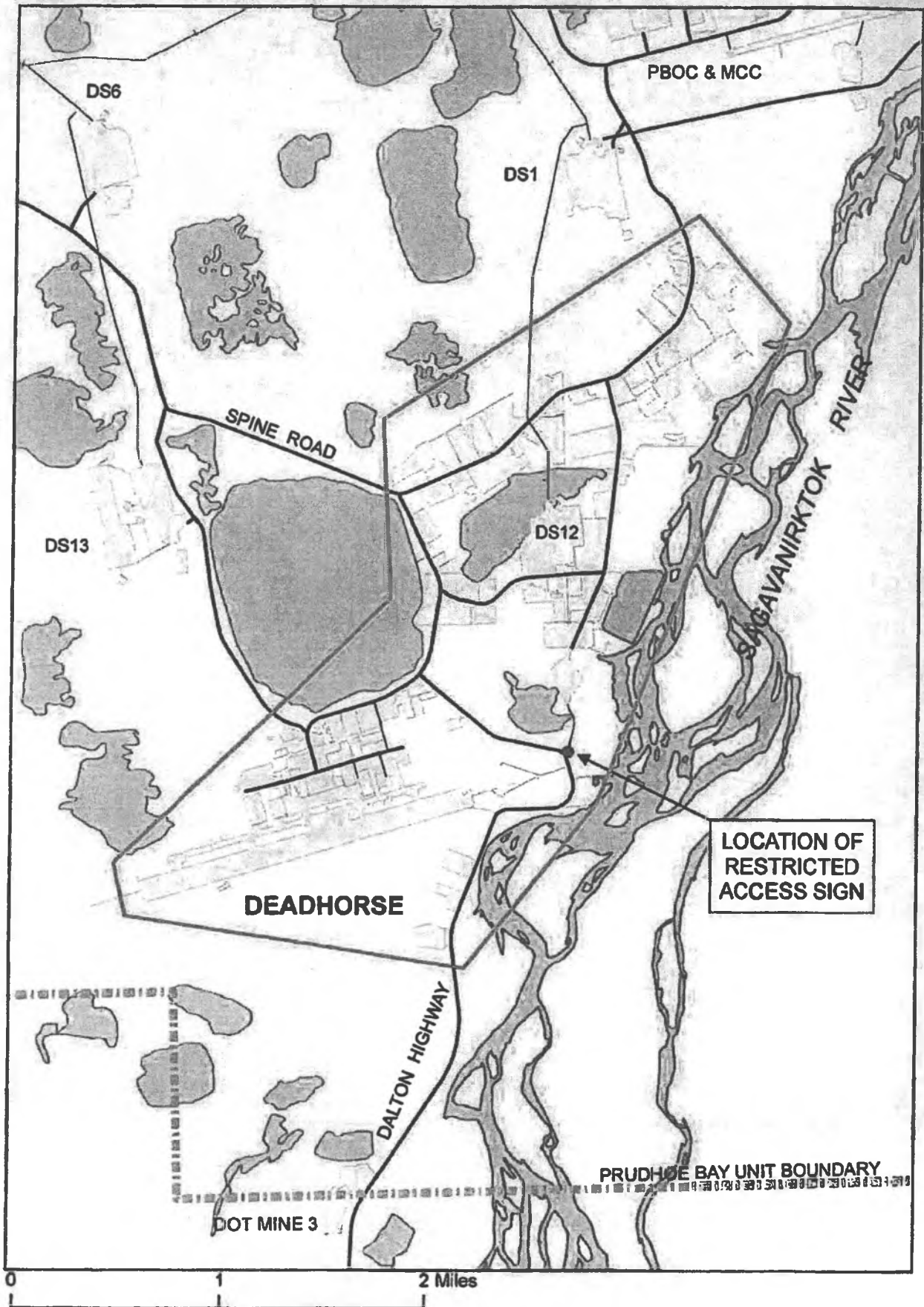
Enclosed with this notice are final versions of the Vehicle Rental Tax Quarterly Tax Return and Government Use Exemption Certificate. Also included are the instructions for the tax form. The forms and instructions will be available on the State of Alaska's web site on December 1, 2003. The Internet address is: www.tax.state.ak.us/forms.asp.

Please e-mail your questions to Janis Halco at janis_halco@revenue.state.ak.us or call her at (907) 269-6627.

YOU ARE NOW LEAVING STATE MAINTAINED ROADS
AND ENTERING AN INDUSTRIAL AREA IN WHICH
HEAVY EQUIPMENT WILL BE OPERATING.

USE CAUTION WHEN ENCOUNTERING HEAVY
EQUIPMENT ON ROADWAYS AND OBEY ALL
TRAFFIC SIGNS. ACCESS WILL AT TIMES BE
RESTRICTED BEYOND THIS POINT.

FOR ADDITIONAL INFORMATION CONTACT
PBU SECURITY AT 907-659-5631



Alaska Oil and Gas Association



121 W. Fireweed Lane, Suite 207
Anchorage, Alaska 99503-2035
Phone: (907) 272-1481 Fax: (907) 279-8114
Kara Moriarty, President/CEO

March 11, 2014

Senator Click Bishop
State Capitol
Juneau, Alaska 99811

Re: SB 178. Passenger Vehicle Rental Tax

Dear Senator Bishop,

The Alaska Oil and Gas Association (AOGA) formally supports SB 178, Passenger Vehicle Rental Tax. AOGA is the business trade organization representing the majority of oil and gas producers, explorers, refiners, transporters and marketers in Alaska. With 15 member companies, we represent both large and small companies with interests on the North Slope, in the Cook Inlet and in the Outer Continental Shelf.

We understand the Department of Revenue has sought to apply the rental vehicle tax retroactively back to 2004. Requiring my member companies to pay a 10 percent rental vehicle tax on all leases for the past nine years that was not anticipated nor budgeted for essentially results in a retroactive tax increase, which further challenges the economics of operating on the North Slope.

SB 178 clarifies and amends the rental vehicle tax to make it clear that the rental vehicle tax does not apply to Alaska businesses making long-term rentals to other Alaska businesses. In our mind, this is a fair solution for an issue that surely was not intended to hamper economic growth.

We also appreciate the bill's provision that reduces the minimum gross vehicle weight rating to qualify for this exemption from 8,500 lbs to 6,500 lbs. This insures the rental vehicle tax is not applied to Alaska businesses engaged in commercial rentals of heavy vehicles, many of which operate on the North Slope, and in support of oil and gas operations in the Cook Inlet.

Thank you for introducing this bill and we look forward to providing support for the legislation.

Sincerely,

A handwritten signature in black ink that reads 'Kara Moriarty'.

KARA MORIARTY
President/CEO

Cc: Representative Steve Thompson



February 21, 2014

The Honorable Representative Peggy Wilson Representative.Peggy.Wilson@akleg.gov
House Transportation Committee
Juneau, AK

Re: HB 314 Passenger Vehicle Rental Tax

Chairperson Wilson,

I am writing to you in support of House Bill 314. Airport Equipment Rentals, Inc. is the John Deere dealer for Alaska and we are also largest equipment rental company in the state with locations in Deadhorse, Fairbanks, Delta Junction, Anchorage and Kenai.

Primarily as a customer service, we offer incidental rental of ¾ ton and one ton trucks to our construction equipment customers on the North Slope, largely to the producers and contractors. Most rentals are several months in duration and often one or two years.

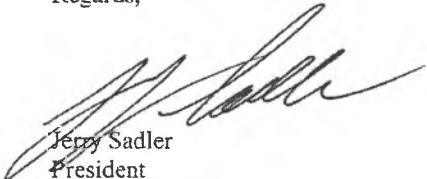
Coincidentally, we also owned the National-Alamo rental car concession for Fairbanks until May of 2013 so we are very familiar with and have paid the rental car tax since its inception and continue to do so today for our small remaining truck rental business.

The intent of the legislature was to tax short term car rentals to tourists to help fund road maintenance and tourism marketing. Recently, the Department of Revenue has retroactively re-interpreted the statute and legislature's intent, specifically with regard to long term rentals of ¾ ton and one ton trucks rented between Alaska businesses on private property on the North Slope.

Since we have been paying the tax, this issue has not impacted our company. However, if the bill is not passed, the result would likely be Alaska businesses passing the cost on to other Alaska businesses which is contrary to the original intent of the tax. Further, some of our competitors would likely be bankrupted which would not be positive for the industry or our company as we do not want to invest in the low margin truck rental business any more than we absolutely have to. We are also concerned about further retroactive re-interpretation of the statutes by the Department of Revenue.

Thank you for your time and consideration of my comments regarding HB 314. If you have any questions, please call or email Jon Cook at (907)460-7030 or joncook@aer-inc.net or feel free to call me directly at any time.

Regards,



Jerry Sadler
President
(907)388-1356

Cc: House Transportation Committee Members, Rep. Steve Thompson



P.O. Box 72578 Fairbanks, AK 99707



February 27, 2014

The Honorable Representative Peggy Wilson
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

RE: HB 314 Passenger Vehicle Rental Tax

Dear Representative Wilson:

This letter is in support of your efforts to clarify legislative intent for state tax on rental car use.

Repsol is an oil and gas company exploring new leases in Alaska. We rely on contractors to work on our North Slope leases and are concerned that a new interpretation of a ten-year-old statute would consider vehicles used by our contractors as "rental cars" subject to the Rental Car Tax. Such an interpretation would have an immediate and negative impact upon our business.

We do not think it is in the best interest of Alaska to add costs to doing business in what is already an expensive operating environment. We hope the legislature will recognize this new interpretation runs counter to the State's goals of encouraging investment and promoting economic activities that create jobs.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Hardham".

Bill Hardham
Alaska Project Manager

Cc: Representative Thompson



February 26, 2014

Representative Peggy Wilson
Chair, Transportation Committee
State Capitol Room 406
Juneau, AK 99801

RE: HB 314 Passenger Vehicle Rental Tax

Dear Peggy

Cruz Construction Incorporated is an Alaskan owned business and we work with local businesses all over the state. Some of our projects require us to rent/lease vehicles and equipment for our many projects to build Alaska.

We understand the State of Alaska rental car tax was intended for tourists renting cars for short term duration, not for construction companies renting work trucks over extended periods for industrial uses. This 10% tax would greatly affect companies who rent in this state for weeks even months at a time would be crippling to their budgets and deadlines. It is substantial not just for my business but all businesses locally in Alaska that HB 314 amendments would be an asset. We want to make it easier to build Alaska into a brighter future.

We look forward to a quick passage of HB314.

Best,

A handwritten signature in blue ink, appearing to read "Dave Cruz".

Dave Cruz, President of Cruz Companies



February 22, 2014

The Honorable Representative Peggy Wilson
House Transportation Committee
State Capitol Room 406
Juneau, AK 99801

Subject: House Bill 314 Passenger Vehicle Rental Tax

Chairman Wilson,

This letter is being written in support of House Bill 314. CONAM Construction Company is a statewide General Contractor specializing in oilfield construction and maintenance. Our equipment fleet in the state is used primarily in support of our construction operations. Occasionally, we rent heavy equipment and vehicles to clients and other third parties, also for use in oilfield services. We do not rent equipment or vehicles to the general public for recreational purposes.

We support HB 314 because it will clarify the original intent of the statute which was to tax short term vehicle rentals used in the tourism industry in Alaska. It was not intended to tax rentals of vehicles from one Alaska business to another Alaska business, which ultimately puts yet another unnecessary government tax burden on the local Alaskan economy. The Bill also revises the minimum gross vehicle weight limit in the statute from 8,500 lbs. to 6,500 lbs. which will capture the class of vehicles the current statute originally intended.

If the statute isn't clarified through the passing of House Bill 314, there will be a substantial negative impact on many Alaska oilfield service companies. The Department of Revenue has only recently tried to collect vehicle rental taxes, penalties and interest dating back to 2004 from oilfield contractors not previously considered applicable under the statute. Why now? I ask for your support in passing HB 314.

Thank you for your consideration and if you need further information from CONAM Construction Company, please contact me at dkissee@conamco.com or by phone at 907-278-6600.

Very truly yours,
CONAM CONSTRUCTION COMPANY

Dale Kisse
President

Cc: Representative.Steve.Thompson@akleg.gov



February 20, 2014

The Honorable Representative Peggy Wilson
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

Re: HB 315 Passenger Vehicle Rental Tax

Chairperson Wilson,

Chumley's Corporation Inc. is a construction contractor working in various locations within the State of Alaska.

We are in support of House Bill 314 because, as a small business owner, not having the ten percent charge translates to a few more critical dollars to support the going concern. We also rely heavily on activity from the oil industry and, as a company, we fear the consequences to our business if legislature does not uphold the initial intent of the vehicle tax, which was to charge this tax to tourists, and not Alaskan businesses.

We hope that legislature will support this bill and promote the growth of economic activities in our great State of Alaska.

Thank you for considering my comments regarding House Bill 314. If there are any concerns or questions regarding my support, please contact me at 907-252-5169.

Best Regards,

A handwritten signature in black ink, appearing to read "Elton McGahan". The signature is fluid and cursive, written over a white background.

Elton McGahan
Managing Member

Cc: Representative Thompson



February 21, 2014

Construction
Environmental
Materials

The Honorable Representative Peggy Wilson
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

Representative.Peggy.Wilson@akleg.gov

P.O. Box 70668

Fairbanks, AK 99707

Phone: 907.452.2512

Fax: 907.452.1067

www.bricecompanies.com

RE: HB314 Passenger Vehicle Rental Tax

Chairperson Wilson:

I am writing to you in support of House Bill 314. Brice Companies have been providing civil construction, marine services, equipment rentals and quarry materials in the State of Alaska for over 50 years.

Our Brice Equipment division provides arctic grade support equipment to the oil and gas and construction industries. We have offices in Fairbanks and Deadhorse. Brice Equipment hosts a fleet of more than 300 pieces of equipment.

We understand the intent of the legislation passed in 2003 was to tax short term car rentals to tourists to help fund road maintenance and promote tourism. The legislation specifically was to have no effect on Alaska businesses on private property on the North Slope. We price our rental rates to be competitive and the current interpretation of this existing legislation causes significant administrative and financial burden to our Alaskan equipment rental division.

Thank you for your time and consideration of my comments regarding House Bill 314.

I am willing to testify on this matter. If you have any questions regarding my support, please contact me at my office 907-452-2512 or on my mobile number 907-978-3000.

Sincerely,

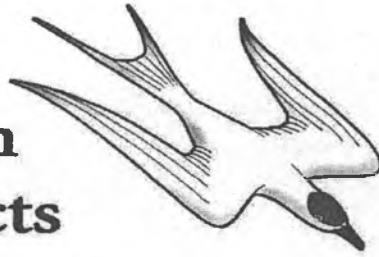
A handwritten signature in cursive script that reads 'Sam Robert Brice'.

Sam Robert Brice
President

Cc: Representative Thompson

Representative.Steve.Thompson@akleg.gov

Arctic Petroleum Products



February 20, 2014

The Honorable Representative Peggy Wilson
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

Re: HB 314 Passenger Vehicle Rental Tax

Chairperson Wilson,

Alaska Petroleum Products is a company that started in 2011 and provides petroleum products to various customers, focusing mainly on the Kenai Peninsula and Prudhoe Bay areas.

As a young and growing company, the burden of an additional tax could be devastating and greatly affect our ability to operate.

We rely on the rental industry to provide part of our fleet that allows us to transport our products to our customers. With the addition of a 10% tax added to our expense of renting from our local vendors, it adds up to critical dollars that could be better spent in the operation of our business.

It is our understanding that the vehicle tax bill's original intent was for the purpose of collecting revenues from tourism, not the local Alaskan business that are already supporting the State of Alaska.

Thank you for considering my comments regarding House Bill 314. If there are any concerns regarding my support, please contact me at 907-748-7958.

Best Regards.

A handwritten signature in black ink, appearing to read 'Wayne Wong'. The signature is stylized with a long horizontal stroke at the end.

Wayne Wong

Managing Member

Cc: Representative Thompson

PO Box 2656 Kenai Alaska 99611



ALASKA AUTO DEALERS ASSOCIATION

P.O. Box 201305, Anchorage, Alaska 99520-1305

February 20, 2014

The Honorable Senator Peggy Wilson
House Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: House Bill 314, Passenger Vehicle Rental Tax

Dear Representative Peggy Wilson,

Thank you for hearing HB 314. I am pleased to inform you that the Alaska Auto Dealers Association (AADA) fully supports this legislation and hopes for its quick passage.

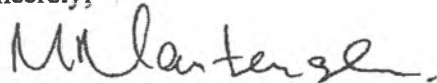
The AADA is very familiar with the Rental Car Tax and its legislative history. HB 314 clarifies the original intent of the legislature that was to tax outside visitors and tourists to help raise fund for road maintenance and tourism marketing.

We are very concerned that recent retroactive re-interpretation of the tax by the Department of Revenue towards equipment leasing companies operating predominantly on the North Slope could have significantly adverse impact on those companies. Those companies are significant long-term customers of our member dealers.

HB 314 will clarify and enshrine the original intent of the rental car tax. More importantly, it will insure that Alaskan leasing companies can continue to do business with Alaskan auto dealers.

Thank you for your time and consideration of our comments supporting House Bill 314.

Sincerely,



Marten Martensen
President

cc: Representative Steve Thompson



ALASKAN OWNED & OPERATED SINCE 1944

February 21, 2014

The Honorable Representative Peggy Wilson Representative.Peggy.Wilson@akleg.gov
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

Re: HB 314 Passenger Vehicle Rental Tax

Chairperson Wilson,


I am writing to you in support of House Bill 314.

- I am the Vice President and minority owner of Alaska Sales and Service, Inc, which has the following companies under it's umbrella: Alaska Sales & Service – Anchorage, Alaska Sales & Service – Palmer, National Car Rental, Alamo Car Rental, and Alaska General Credit Corporation. Since 1944, Alaska Sales & Service has been serving Alaskans automotive needs with New and Used vehicle sales, vehicle servicing, vehicle parts, vehicle body shops, vehicle financing, and vehicle rentals. We currently employ over 220 Alaskans in Anchorage and Mat-Su Borough.
- I am in full support of HB 314 for the following reasons:
 - The bill clarifies the original intent of the legislature when the Rental Car Tax was passed.
 - The intent of the lawmakers was not to tax Alaskan businesses doing business with other Alaskan Businesses, the intent of this tax was always targeted towards having outside visitors and tourists help raise funds for tourism related marketing funding
- If HB 314 is not passed it will result in:
 - A direct pass-through tax by customers of my business when this was clearly never intended to be a tax on Alaskan Businesses.
 - Our customers likely purchasing vehicles and keeping them in service longer, rather than replacing them with newer more fuel efficient models that have cleaner exhaust emissions.

Thank you for your time and consideration of my comments regarding House Bill 314.

I am willing to testify on this matter. If you have any questions regarding my support, please contact me at 907-265-7550.

Sincerely,



Shaun J Pfeiffer
Vice President
Alaska Sales and Service, Inc.

Cc: Representative Thompson

Representative.Steve.Thompson@akleg.gov



ASSOCIATED GENERAL CONTRACTORS of ALASKA

8005 SCHOON STREET, SUITE 100 • ANCHORAGE, ALASKA 99518
TELEPHONE (907) 561-5354 • FAX (907) 562-6118

February 25, 2014

Representative Peggy Wilson
Chair, House Transportation Committee
State Capitol Room 406
Juneau AK, 99801

RE: HB 314 Passenger Vehicle Rental Tax

Dear Representative Wilson

Peggy

The Associated General Contractors of Alaska (AGC) is a trade association representing over 650 Alaskan businesses in the construction industry. I am writing to you in support of House Bill 314.

At the time the original legislation passed in 2003 as House Bill 271, I was Deputy Commissioner of DOT, and involved in the passage of a number of other revenue generating bills. I recall the discussion on the bill HB 271, that would impose an excise tax on short-term passenger and recreation vehicles. There was never any intent that this would apply to heavy vehicles and longer term leases. In fact, I recall conversation that they would not be included.

I am concerned that recent interpretation of the statute and tax by the Department of Revenue towards equipment leasing companies and the retroactive application could have significantly adverse impact on those companies. HB314 will clarify the original intent of the rental car tax.

The Associated General Contractors fully supports this legislation and hopes for its quick passage. Thank you for hearing HB314.

Sincerely,

John MacKinnon, Executive Director
Associated General Contractors of Alaska



SOLSTENXP

406 West Fireweed Lane, Anchorage, AK 99503

February 20, 2014

The Honorable Representative Peggy Wilson Representative.Peggy.Wilson@akleg.gov
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

Re: HB 314 Passenger Vehicle Rental Tax

Chairperson Wilson,

I am writing to you in support of House Bill 314.

- We provide workforce and expertise to Alaska businesses. Through consulting, staffing and engineering services we enable independent operators to explore and produce Alaskan resources.
- I support this bill because it clarifies the intent of the original legislation.
 - The bill clarifies the original intent of the legislature when the Rental Car Tax was passed.
 - The intent of the lawmakers was a tax directed at tourist activity to support tourism related expenditures. The intent was not to further increase the cost of doing business in Alaska.
- If this bill is not passed, the result will be a pass through tax to the patrons of my business and an increase to my operating cost to administer the tax.

Thank you for your time and consideration of my comments regarding this House Bill 314. If you have any questions regarding my support, please contact me at 279-6900.

Best regards.

Will McKenzie, Controller

Cc: Representative Thompson Representative.Steve.Thompson@akleg.gov



ALASKA CHAMBER

February 24, 2014

The Honorable Peggy Wilson
Chairman, Transportation Committee
Alaska House of Representatives, Capitol Room
Juneau, AK 99801

Re: House Bill 314 Vehicle Passenger Rental Tax

Dear Chairman Wilson,

The mission of the Alaska State Chamber of Commerce (Alaska Chamber) is to promote a positive business environment in Alaska. The Alaska Chamber represents hundreds of businesses, manufacturers and local chambers from across Alaska. Our members support legislation that updates and clarifies laws, provides regulatory certainty, and that generally improves Alaska's business climate. The Alaska Chamber supports the swift passage of House Bill 314 (HB 314).

HB 314 clarifies that the Vehicle Passenger Rental Tax enacted in 2003 does not apply to commercial long-term rentals among businesses in Alaska. The original legislative intent was to levy a tax on visitors using the State of Alaska's road system and infrastructure. Since the effective date of the law, rental car companies have collected the tax upon rental and submitted it to the State. Until recently, the Department of Revenue only applied this tax to rental car companies.

There are enough challenges to doing business in Alaska without uncertainties presented by inconsistent enforcement of the law. HB 314 updates and clarifies the Vehicle Rental Passenger Tax law that will provide regulatory certainty for Alaska businesses not in the vehicle rental business. We urge passage of HB 314 during the 28th Alaska Legislative Session.

Sincerely,

Rachael Petro
President/CEO

Cc: Representative Steve Thompson



February 24, 2014

The Honorable Representative Peggy Wilson
House Transportation Committee
State Capitol Room 406
Juneau, Alaska 99801

Representative.Peggy.Wilson@akleg.gov

Re: HB 314 Passenger Vehicle Rental Tax

Dear Chairman Wilson,

Coffman Engineers, Inc. (Coffman) is a multidiscipline engineering firm that has been in business in Alaska since 1979. Our firm is deeply rooted in the State and we are dedicated to justly perpetuating its economy. To this end, I am writing you in support of HB 314 Passenger Vehicle Rental Tax.

The HB 314 Passenger Vehicle Rental Tax clarifies the original intent of the legislature in regard to the initial passing of the Rental Car Tax. The intent was not to tax Alaskan businesses for commerce with fellow Alaskan businesses; the intent was to raise funds from outside visitors for marketing related funding for tourism.

If this Bill is not passed, the result will be a direct pass-through tax by vendors of my business when this was clearly never the intent of the legislature. This will be a huge detriment to all Alaskan businesses and more importantly, costly to our local economy.

Thank you for your time and consideration of my comments regarding my support of HB 314 Passenger Vehicle Rental Tax. Please note that I am willing to testify on this matter. If you have any questions, please contact me directly at Coffman (800 F Street Anchorage, Alaska 99501. Phone: 907.276.6664. Email: gries@coffman.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Gries", written over a light blue horizontal line.

Jeff Gries, P.E., Principal

Cc: Representative Thompson

Representative.Steve.Thompson@akleg.gov

CS FOR HOUSE BILL NO. 314(TRA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE HOUSE TRANSPORTATION COMMITTEE

Offered: 4/2/14

Referred: Finance

Sponsor(s): REPRESENTATIVE THOMPSON

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the passenger and recreational vehicle rental taxes; and providing
2 for an effective date."

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

4 * **Section 1.** AS 43.52.010 is amended to read:

5 **Sec. 43.52.010. Levy of passenger and recreational vehicle rental tax.** There
6 is imposed an excise tax on the charge for the lease or rental of a passenger or
7 recreational vehicle in this state [IF THE LEASE OR RENTAL OF THE
8 PASSENGER VEHICLE DOES NOT EXCEED A PERIOD OF 90 CONSECUTIVE
9 DAYS].

10 * **Sec. 2.** AS 43.52.010 is amended by adding new subsections to read:

11 (b) A lease or rental is exempt from the tax imposed under (a) of this section if
12 (1) the initial lease or rental contract is for a period of 28 days or more;
13 (2) the initial lease or rental contract is in writing; and
14 (3) the lease or rental contract is not terminated before the expiration

1 of 28 days.

2 (c) An extension of a lease or rental that is exempt under (b) of this section is
3 exempt if the extension is agreed upon before the expiration of the initial 28-day lease
4 or rental period and there is no break between the initial period and the period of the
5 extension.

6 * **Sec. 3.** AS 43.52.020 is amended to read:

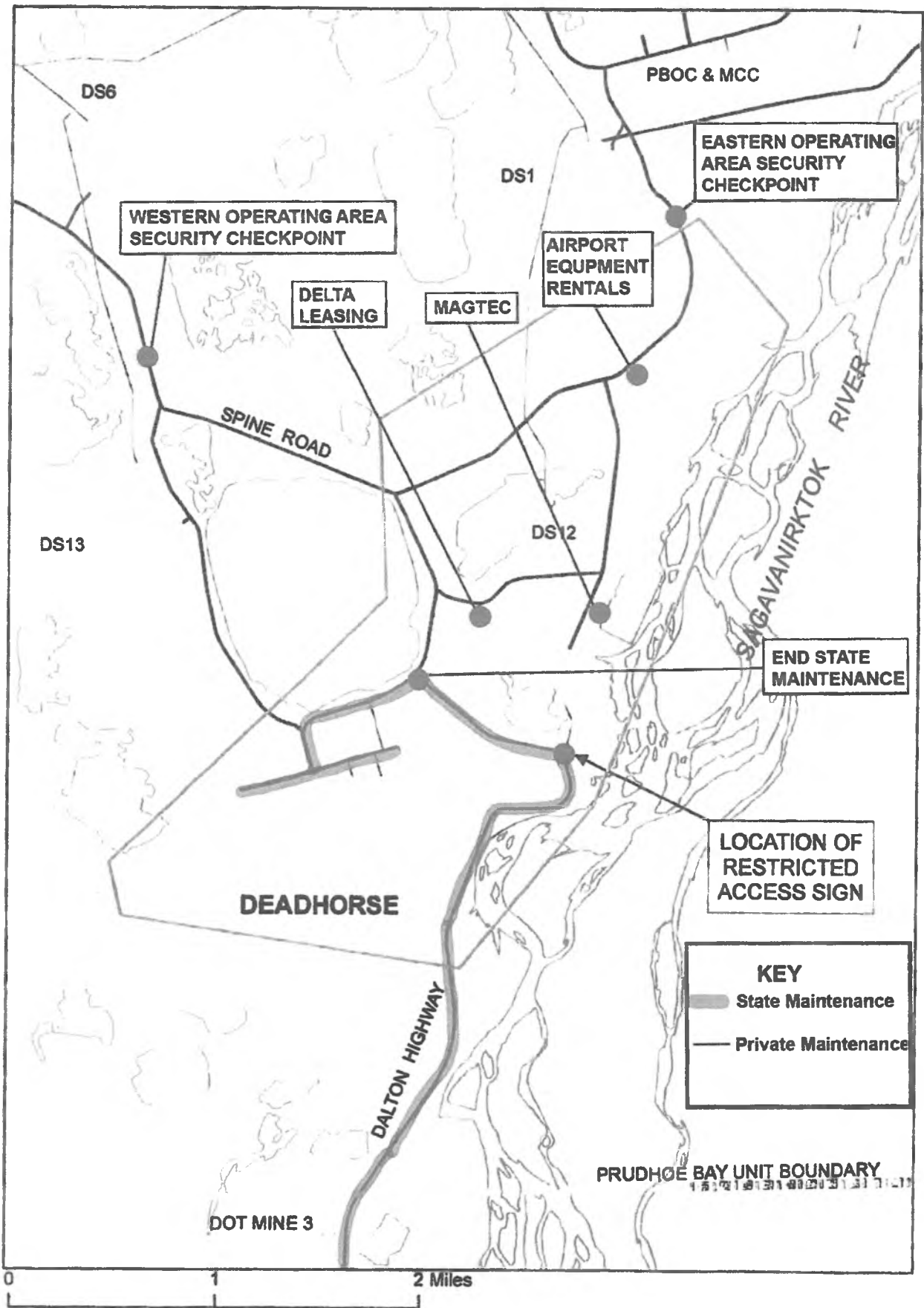
7 **Sec. 43.52.020. Rate of [PASSENGER] vehicle rental tax.** The rate of the
8 tax levied in AS 43.52.010 is

9 (1) 10 percent of the total fees and costs charged for the lease or rental
10 of a [THE] passenger vehicle;

11 (2) three percent of the total fees and costs charged for the lease or
12 rental of a recreational vehicle.

13 * **Sec. 4.** AS 43.52.030 and 43.52.040 are repealed.

14 * **Sec. 5.** This Act takes effect immediately under AS 01.10.070(c).



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 House Bill 271

"An Act levying and providing for the collection and administration of an excise tax on passenger vehicle rentals; 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 15 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 \$7.5 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.

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RELEVANT EXCERPTS FROM THE LEGISLATIVE HISTORY

House Bill 271 – Passenger Motor Vehicle Tax

1. **Sponsor Statement for HB 271 – Pete Kott** “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....The majority of visitors to Alaska come by cruise ship or domestic flight, and many of these visitors rent passenger 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 contribute to the tourism industry for promotion and marketing....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.”
2. **CSHB 271, SLA 2003, 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.
3. **Fiscal Note 1 and Sectional Analysis to HB 271 (4/24/2003).** “AS 43.52.030 imposes the tax on the lessor, and the tax must be remitted as required by the department in regulations.” *Id.* at 2. (Precludes failure-to-collect penalty) “This legislation would impose a 15% tax on the rental of motor vehicles, predominantly passenger cars and trucks, but also motorcycles. Trucks that do not fall within the commercial vehicle classification would be subject to tax. This would likely include some of the smaller trucks leased by self-service moving companies.” *Id.* “Passenger vehicles leased for more than 90 consecutive days are exempt from the tax. This would exclude passenger cars leased by individuals and businesses for long-term use as an alternative to the purchase of a vehicle. The department, however, interprets the bill to require that the rental must actually run for 91 consecutive days to be exempt. A long-term lease that is cancelled, for example, after 45 days would result in the application of the tax to the rental.” *Id.* “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.” *Id.* at 4.
4. **Fiscal Note 2 to HB 271 (5/7/2003).** Tax rates reduced to: 10% passenger vehicle, 3% RV. “In addition, we would expect to conduct taxpayer outreach and education efforts to help start this new program.” *Id.* at 2.
5. **Minutes, House Special Committee on Ways & Means, HB 271 (4/22/2003).** “Rep. Kott [sponsor] pointed out that 80% of the tax will be paid by non-Alaskans. Usually, it is when travelling on business or when the car is in the shop and an insurance

company pays for the rental.” *Id.* at 4. “This is one way to impose a small tax on Alaskans who may rent a car, although in most cases, Alaskan’s will not be affected. Rep. Kott stated he does not believe there will be any loss of tourism as a consequence of implementing this tax. Tourists who come to Alaska rent vehicles, recreate, and participate in various activities. The state does not impose any tax on tourists at this point.” *Id.* at 6. “In fact, with this legislation the state would receive a small amount of money, \$5 – 10 million, which could be used to offset some of the damage to roads and parks by tourism.” *Id.* at 7. “Rep. Kott pointed to the fiscal note and said that the details are comprehensive. He commented that there are entities in the tourism field that are cognizant of this bill and other measures that will generate money from non-Alaskans, whether they are working on the North Slope or visiting as a tourist.” *Id.* at 9. “Rep. Kott cautioned the members who might propose a change in the definition of commercial vehicles or exemptions to be aware of the potential conflict a change might have in municipalities and the confusion that might follow with rental car companies.” *Id.* at 10.

6. **Minutes, House Special Committee on Ways & Means, HB 271 (4/23/2003).** “Rep. Rokeberg pointed out that when Alaskans are polled regarding revenue enhancement, one suggestion is to get the visiting public to pay. Therefore, this legislation appears to be a vehicle that allows for that.” *Id.* at 10.
7. **Minutes, House Special Committee on Ways & Means, HB 271 (4/24/2003).** “Co-Chair Hawker [explained that]...[n]othing in this bill in any way prohibits the lessors of the vehicles from collecting the excise tax from the consumers.” *Id.* at 5. (Suggests that tax is imposed on lessor and failure-to-collect penalty would not apply).
8. **Minutes, House Finance Committee, HB 271 (4/25/2003).** “Representative Stoltze asked whether this might be detrimental to the tourism industry. Mr. Knauss [staff representative for Rep. Kott, bill sponsor] responded that they would like to see tourists pay their fair share.” *Id.* at 13. “Co-Chair Harris asked whether the bill allowed for Alaska residents to be excluded from the rental car tax. Mr. Knauss stated that the only exemption was for governmental employees.” *Id.* at 14. “Representative Kott indicated that the intent language tax revenue might be directed towards tourism marketing. He stated that he would like to see some of the tax return to the industry.” *Id.* “Rep. Stoltze asked whether they had considered a seasonal tax, effectively exempting Alaskans from rentals during non-tourist season. Rep. Kott maintained that a seasonal tax would not be cost effective. He added that the bill would not affect Alaskans since most Alaskans did not need a rental car in the state for extended periods of time, with the exception of state government work, which is exempted.” *Id.* at 15. “Vice-Chair Meyer asked for a breakdown of car rentals for the business sector and the tourism industry. Mr. Zimmerman [AVIS Rep] responded that the true tourist business comprised 60% of the summer business. During winter, October to late April, the bulk of business is corporate.” *Id.* at 17.

9. **Minutes, House Finance Committee, HB 271 (5/7/2003).** Proposing amendments from W&M and House Finance Versions which “clearly spell out that the tax should not be charged on top of other [i.e. municipal] taxes.” “Mr. Persily [Dep. Comm’r, Dept. Rev.] noted that the substance of the bill remains the same and would place a 10% tax on passenger vehicles and pick-up trucks...” *Id.* at 3. “Co-Chair Williams agreed with the sponsor that the amendment would not work well.” *Id.* at 4. “Rep. Hawker...maintained that the legislation [without the proposed amendment] would bring Alaska in line with the average national levels. He stressed that this would be a tax on business corporate users. Less is not more when attempting to balance the overall budget. He stated that he would oppose Amendment #1 [limiting amount of tax state could collect on top of municipal tax].” *Id.* FAILED. RE: Amendment #2 – tax collectable only if \$10m are allocated to tourism marketing. “Rep. Croft explained that part of the justification for the bill was that it is needed for tourism marketing funding. Amendment # 2 stipulates that if the appropriate level of \$10m has not [sic?] been met then than the tax could be collected, otherwise it could not be.” *Id.* at 5. FAILED.
10. **Minutes, House Rules Committee, HB 271 (5/10/2003).** RE: Amendment #1 – state tax stacked on top of municipal taxes cannot exceed 10%. FAILED at pg. 27.

House Bill 347 – Taxicab Exemption

1. **Sponsor Statement for HB 347 – Pete Kott** “House Bill 347 has been introduced specifically to exclude a taxicab from the definition of “passenger vehicle” in statute, thereby exempting taxicab rentals from the vehicle rental tax. Last year, HB 271 was passed with the intent to levying excise taxes on the rental of passenger and recreational vehicles usable on highways and vehicular ways. This imposed a substantial and confusing burden on owner-lessors of taxicabs who would be required to collect from the taxicab drivers. This was a technical and unintended application of the Vehicle Rental Tax to commercial taxicab lease transactions.”
2. **Ch. 29 SLA 2004, HB 347 (Taxicab Exemption)** Includes repayment provision.
3. **Fiscal Note to HB 347 (1/16/2004)** “This bill will specifically exempt cab drivers who rent or lease their taxi cabs to taxi cab drivers from the vehicle rental tax. When the vehicle rental tax was initially proposed, the Department of Revenue’s projected revenue amount of \$1million in 2004 and \$6 million in fiscal years thereafter did not include revenues from the rental or lease of taxicabs. Therefore, if taxi cab rentals and leases are exempted from the vehicle rental tax, there will be no change in the projected vehicle rental tax revenues as originally estimated by the Department.”
4. **Fiscal Note to Amendment #1 to HB 347 (3/31/2004)** (exempting certain trucks in addition to taxicabs) “This bill will specifically exempt cabs and vehicles used exclusively

for the hauling or delivery of cargo from the vehicle rental tax. When the vehicle rental tax was initially proposed, the Department of Revenue's projected revenue amount of \$1million in 2004 and \$6 million in fiscal years thereafter did not include revenues from the rental of taxicabs or vehicles used exclusively for the hauling or delivery of cargo. Therefore, if taxi cabs and vehicles used exclusively for the hauling or delivery of cargo are exempted from the vehicle rental tax, there will be no change in the projected vehicle rental tax revenues as originally estimated by the Department. However, since these two types of vehicle rentals are currently subject to the tax, there will be a reduction in potential revenues due to the exemptions provided for in this bill. We have not estimated the change in revenues from the taxi cab exemption. We have estimated the reduction from vehicles used exclusively to haul cargo will be approximately \$400,000 per year." See Attached Spreadsheet: *Estimated Yearly Truck Rental Revenues in Alaska Rented for Under 91 Days*. "Note 1: Company 1 has recently decided to get out of the leasing business because of the administrative burden caused by the Vehicle Rental Tax. It is the largest rental business of commercial vehicles on the North Slope. The trucks are rented out of a 'pool' and the lease periods are usually under 91 days, but over 30 days."

5. **Minutes, House Finance Committee, HB 347 (1/29/2004).** "Rep. Croft moved to ADOPT Amendment #1 [to HB 347].... He noted that vehicles over 10,000 lbs would be exempt not only the ones over 26,000 lbs primarily used commercially. The amendment removes a narrow category of trucks and provides a 'tighter' definition." *Id.* at 5. "Rep. Croft corrected, Amendment #1 does *not* address the U-Haul issue, but primarily changes the 26,000 lbs to the 10,000 lbs limit. A new class of trucks would be exempt and it would solve the concern brought forward by the Trucking Association. He added, apparently, U-Hauls do not fit into the commercial motor vehicle category." *Id.* "Vice-chair Meyer asked what type of trucks were being addressed in the amendment. Rep. Croft did not want to exempt big 6,000 – 7,000 lbs vehicles. The bill would not change that as it only affects those between 10,000 and 26,000 lbs." *Id.* "Co-Chair Williams reminded members that the intent of the legislation was to help taxi cab drivers. He was concerned with changing language in the bill." *Id.* Amendment Failed. Considering Amendment #1 to HB 347, which would exempt commercial vehicles over 10,000 lbs (targeting commercial trucks) in addition to taxis, "Co-Chair Harris asked if the bill would tax semi-trucks or trailers used for commerce in the 10,000 lbs – 26,000 lbs range. Ms. Stancliff [staff representative for Rep. Kott, sponsor of HB 271] did not believe they would be taxed. She noted that the Department of Revenue provided information regarding the 10,000 lbs – 26,000 lbs range with a small number of vehicles falling into it such as the Ford F-350 and the Ram 3500. There are a small number of commercial pick-ups on the North Slope that fall into that category, as do the U-Hauls. She did not know about semi-trucks or flatbed trucks and recommended that the Department of Revenue answer that question." *Id.* at 6. Co-Chair Harris asked Janis Hales, Dept. of Rev., Anchorage, whether a semi-truck rented without the trailer, weighing less than 26,000 lbs, would be taxable under HB 271. "Ms. Hales stated that if

only the semi was rented, it would be taxable as the law is currently written. Co-Chair Harris clarified that if the vehicle was used to haul commerce around the State, would then be taxed. Ms. Hales reiterated that it would as the bill is currently written.” *Id.* at 7. “Representative Croft pointed out that Amendment #1 [exempting vehicles over 10,000 lbs] addresses not only poundage but also the concern for ‘commercial purposes.’ He believed that Amendment #1 could provide a ‘fix.’”

6. **Minutes, Senate Finance Committee, HB 347 (3/9/2004).** “It was not the intent of the original bill to negatively impact small businesses.” *Id.* at 17. “Senator Bunde pointed out that the passenger car rental tax applies to everyone renting a car, including Alaska residents.” *Id.*

Senate Bill 174 – U-Haul/Truck Exemption

1. **Ch. 1 SLA 2006, SB 174** Excluding “rental truck” from the definition of “passenger vehicle”: “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.”
2. **Minutes, Senate Transportation Committee, SB 174 (4/19/2005).** “Deborah Grundman, staff to Senator Huggins, said: ... Senate Bill 174 was introduced to correct an unintended consequence of legislation passed in 2003. In 2003 the Alaska 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. ... Senate Bill 174 will ensure that the tax applies more specifically to the intended target of visitors renting passenger vehicles and recreation vehicles.”... “Chair Huggins asked how he [president of U-Haul Alaska] how he was told he was supposed to collect the tax. Mr. Norris answered that the Department of Revenue contacted his accounting firm.” *Id.* at 5. “Senator Therriault asked if standard pickup trucks are taxed. Mr. Norris said that standard pickup trucks would still be taxed if this bill were to pass since they weigh less than 8,500 pounds, which is the exception limit.” *Id.*
3. **Minutes, Senate Finance Committee, SB 174 (4/26/2005).** “Senator Charlie Huggins, Sponsor of the bill, testified that in 2003, a consequence of the rental vehicle passenger tax legislation imposed the tax to rental vehicles used to move personal property. He was told this was not the intent of the bill and concluded it reasonable that U-Haul type vehicles are not in the same category as rental cars. He detailed the types of vehicles used for hauling.” *Id.* at 2.
4. **Minutes, House Finance Committee, SB 174 (5/3/2005).** “SENATOR HUGGINS, SPONSOR: [T]he Legislature passed HB 271 as a tourism-based tax on passenger rental cars and recreational vehicles. The purpose was to tax visitors using the road system, not local citizens.... Senator Huggins added that the Department of Revenue has assessed

the tourism-based tax on all rental vehicles, including trucks less than 26,000 pounds. Interpretation of the law has resulted in a 10% tax applied to businesses and citizens renting trucks.” Pg. 7.

5. **Fact Sheet for SB 174** “Benefits: Prevents Alaskans from paying a tax intended for tourists.” “The legislation ensures only visitors, not Alaskans, pay the tax.”

House Bill 56 – Motorcycle Exemption

1. **Ch. 8 SLA 2013, HB 56.** AN ACT Excluding motorcycles and motor-driven cycles from the passenger vehicle rental tax.
2. **Sponsor Statement (Rep Lindsey Holmes):** In 2003, the legislature passed a motor vehicle rental tax for rental cars. Motorcycles were unintentionally included in that law. During the 2003 hearings, motorcycles were never considered and the Department of Revenue did not collect the tax until several years after the law became effective. Passing this legislation corrects the accidental inclusion of motorcycles to the existing rental vehicle tax.
3. **2013 House Transportation Committee Meeting:** JOHANNA BALES, Deputy Director, Tax Division, Anchorage Office, Department of Revenue (DOR), stated the purpose of the MVRT was to collect tax on vehicles that were driven and licensed for use on public highways. It does not encompass snowmachines or recreational vehicles (RVs), but after some detailed review of the law - also reviewed by the Department of Law (DOL) - motorcycles are currently included and are taxed. In response to Chair Wilson she agreed this bill would remove motorcycle from the definition of a passenger vehicle.
4. **2013 House Finance Committee Meeting:** MATT FONDER, TAX DIVISION, DEPARTMENT OF REVENUE, ANCHORAGE (via teleconference), replied that that he did not know. He explained that the department had one person that worked with all of the Vehicle Rental Taxes in the state which made it difficult to break down how much time was spent on motorcycles alone.
5. **2013 Senate Transportation Committee Meeting:** JOHANNA BALES, Deputy Director, Tax Division, Alaska Department of Revenue, said when the original vehicle rental tax was passed, motorcycle rentals weren't recognized; once that was discovered they spoke with the Department of Law who said that motorcycles do fall under the definition of a "passenger vehicle." So they reached out to the companies and brought them into compliance. Based on most other taxes the state brings in, this is fairly insignificant and is a bit difficult for the rental car companies. They have no official opinion on the bill, but at the same time they want to provide as much information as they can and believe it is an "immaterial amount of revenue."

6. 2013 Senate Finance Committee Meeting: Mr. Waldo [Rep. Holmes' staff] responded that the concept was introduced by the motorcycle rental businesses. The Department of Revenue had only decided a few years prior to tax the businesses, which had been a surprise to the industry. The department had originally asked for back taxes for the previous 19 years that they had been collection the passenger vehicle rental tax, but had decided against the punitive measure.

ALASKA STATE LEGISLATURE

Session:

State Capitol Building
Room 500
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Toll Free: (877) 465-3004

**Interim:**

1292 Sadler Way, Ste. 308
Fairbanks, Alaska 99701
Phone: (907) 452-1088
Toll Free: (877) 465-3004

REPRESENTATIVE STEVE THOMPSON DISTRICT 3

CS House Bill 314 Sectional Analysis (28-LS1479\O)

- (1) Section 1 Amends AS 43.52.010 and consolidates two existing sections, regarding the terms “recreational” and “passenger” into one section. Except for the tax rates, the factors are the same for both types of vehicles.
- (2) Section 2 Amends AS 43.52.010 by reducing the term from 90 days to 28 days, for which a lease or rental is exempt from the rental vehicle tax. It also clarifies that all renewals and extensions of a vehicle lease are included when determining if a lease is more than 28 days and, therefore, exempt from the rental vehicle tax, as long as no time has lapsed between the initial end date and the period of extension.
- (3) Section 3 Amends AS 43.52.020 to again consolidate the terms “recreational” and “passenger” to better organize the statute. This section clearly states that passenger vehicles are taxed at 10% and recreational vehicles are taxed at 3%.
- (4) Section 4 Repeals AS 43.52.030 and AS 43.52.040 because they are no longer needed due to the changes made in Sections 1 and 3 together.
- (5) Section 5 Provides for an immediate effective date.

E-mail Representative_Steve_Thompson@akleg.gov

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Fairbanks, Alaska 99701
Phone: (907) 452-1088
Toll Free: (877) 465-3004**

REPRESENTATIVE STEVE THOMPSON DISTRICT 3

CS House Bill 314 Sponsor Statement (28-LS1479\O)

In 2003, the legislature passed a rental vehicle tax intended to raise revenue from tourists using rental cars on the state's road system. The rental car companies collect the tax, from the customer, when the vehicle is rented and then submit that tax to the state.

For the first nine years of the rental vehicle tax, the Department of Revenue did not apply the tax to Alaskan companies engaged in the long-term leasing of heavy vehicles to other Alaskan businesses. In 2010, however, DOR began an attempt to collect the rental vehicle tax from Alaskan businesses who may not be involved in the visitor industry and do not rent to tourists. Some companies had long-term leases, mostly of heavier vehicles, with other Alaskan businesses.

In order to clarify the intent of the rental vehicle tax, House Bill 314 amends the statute to clarify that the rental vehicle tax does not apply to Alaskan businesses making long-term rentals to other Alaskan businesses.

Specifically, HB 314:

1. Reduces from 90 days to 28 days the term of a rental that is exempt from the tax.
2. Better organizes the statute by consolidating the terms "passenger" and "recreational" into the same section.

Please join me in supporting this needed change to the passenger vehicle rental tax law.

E-mail Representative_Steve_Thompson@akleg.gov