

**HB**

**56**

<TARGET><BILL>HB 56</BILL><SUBJECT>HB  
56</SUBJECT><COMM>HFIN28</COMM></TARGET>



# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: HB 56  
Fiscal Note Number: 1  
(H) Publish Date: 2/20/13

Identifier: HB056-DOR-TAX-02-16-13  
Title: PASSENGER VEHICLE RENTAL TAX  
Sponsor: HOLMES, T.WILSON  
Requester: (H) TRA

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)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
<b>OPERATING EXPENDITURES</b>	<b>FY 2014</b>	<b>FY 2014</b>					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
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>

**Fund Source (Operating Only)**

None							
<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>

**Positions**

Full-time							
Part-time							
Temporary							

<b>Change in Revenues</b>			(12.0)	(12.0)	(12.0)	(12.0)	(12.0)
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**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If yes, by what date are the regulations to be adopted, amended or repealed?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:**

Initial version.

Prepared By: Johanna Bales, Deputy Director  
Division: Tax  
Approved By: Alicia Egan, Legislative Liaison  
Department of Revenue

Phone: (907)269-6628  
Date: 02/15/2013 10:00 PM  
Date: 02/16/13

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. HB 56

**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 decrease 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.

Chapter 43.52. TRANSPORTATION TAXES

Article 01. VEHICLE RENTAL TAXES

Sec. 43.52.010. Levy of passenger vehicle rental tax.

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

Sec. 43.52.020. Rate of passenger vehicle rental tax.

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

Sec. 43.52.030. Levy of recreational vehicle rental tax.

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

Sec. 43.52.040. Rate of recreational vehicle rental tax.

The rate of the tax levied in AS 43.52.030 is three percent of the total fees and costs charged for the lease or rental of the recreational vehicle.

Sec. 43.52.050. Liability for payment of vehicle rental taxes.

(a) The taxes imposed by AS 43.52.010 - 43.52.099 shall be collected and paid to the department

(1) by the person who provides the leased or rented vehicle; and

(2) in the manner and at the times required by the department by regulation.

(b) The tax shall be stated as a separate item on the lease or rental contract or other document invoicing payment.

Sec. 43.52.060. Applicability of the tax.

The provisions of AS 43.52.010 - 43.52.099 apply to a passenger or recreational vehicle whether or not the vehicle is registered and licensed in this state.

Sec. 43.52.070. Relationship to municipal levies.

The taxes imposed by AS 43.52.010 - 43.52.099 are in addition to taxes that may be imposed on vehicle rentals by a municipality under AS 29.45.

Sec. 43.52.080. Administration of tax.

(a) The department shall administer the taxes imposed by this chapter and may adopt necessary regulations.

(b) The proceeds of the vehicle rental taxes imposed by AS 43.52.010 - 43.52.099 shall be deposited into a special vehicle rental tax account in the general fund.

(c) The legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing. This section is not intended to create a dedicated fund.

Sec. 43.52.090. Exemption.

The tax imposed in AS 43.52.010 - 43.52.099 does not apply to leases or rentals for official use to federal, state, or local government agencies or employees.

Sec. 43.52.099. Definitions.

In AS 43.52.010 - 43.52.099,

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

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

(B) parking tickets;

(C) sales or excise taxes;

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

(E) concession fees paid to an airport;

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

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

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

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

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

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

(D) a recreational vehicle;

(E) a taxicab;

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

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

(3) "recreational vehicle" means

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

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

(C) a one-piece camper vehicle; and

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

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

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

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

(B) mobile homes; or

(C) watercraft.

**Representative  
Lindsey Holmes**

Capitol Room 415  
465-4919  
465-2137 fax



**MEMORANDUM**

Date: 20 February 2013

To: Co-Chair Bill Stoltze,  
House Finance Committee

From: Representative Lindsey Holmes

**RE: Hearing Request for HB 56: Passenger Vehicle Rental Tax**

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I would like to respectfully request a hearing for House Bill 56 in the House Finance Committee. If you have any questions about the bill, please feel free to contact me or my aide James R. Waldo (his direct line is 465.8186).

Attached to this memo is:

- 1) A copy of the bill in its current form;
- 2) A sponsor statement for the bill;
- 3) A copy of the current statute relating to passenger vehicle rental taxes as background information;
- 4) The committee should expect testimony from:
  - a. Barry Matteson of House of Harley-Davidson, Anchorage
  - b. Phil Freeman of MotoQuest, Anchorage
  - c. Keith Payne of Alaskan Adventure Riders, Fairbanks
  - d. Nancy Hull of Alaska Motorcycle Adventures, Anchorage

} Possible  
Public  
testifiers



## **Representative Lindsey Holmes**

### **Sponsor Statement**

### **HB 56 – Passenger Vehicle Rental Tax**

House Bill 56 will remove the 10% tax on motorcycle rentals. Under the current law, motorcycle rentals are taxed at a rate that is too high for these local, Alaskan businesses. Lowering this rate is critical to protect this growing segment of our tourism industry.

Motorcycle rentals provide a popular attraction for independent travelers visiting Alaska. Motorcycle travelers go off the beaten path, traveling to remote bed and breakfasts, staying in smaller hotels, and eating at local restaurants. This is in contrast to RV renters who do not stay in hotels and are less likely to eat at restaurants. While RV renters pay a small rental tax of 3%, they don't pay local bed taxes and less in local sales taxes—motorcycle renters do.

The motorcycle rental season is brief, lasting only around four months. However, rental businesses incur fleet storage costs even in the winter months. The short rental season and high cost of overhead 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.

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.

Please join me in supporting this legislation to correct the unintentional consequences of the 2003 law and promote independent tourism in Alaska while protecting our local small businesses.