

SB

178

<TARGET><BILL>SB 178</BILL><SUBJECT>SB
178</SUBJECT><COMM>HFIN28</COMM></TARGET>

Letter of Intent

It is the intent of the Senate Finance Committee that the passenger vehicle rental tax described in SB 178, including the original law and the changes made by the committee substitute, should not be applied to Alaskan businesses doing business with other Alaskan businesses. The Department of Revenue (DOR) should not apply the tax retroactively to businesses it determines should be, or should have been, collecting the tax. However, if DOR is able to determine a business collected the tax but did not remit the tax to DOR, then DOR should charge back taxes, penalties and/or interest on those unpaid taxes.

In 2003, the legislature passed House Bill 271, a passenger vehicle rental tax intended to raise revenue from tourists renting passenger vehicles so that they could help pay for the wear and tear they inflict on the State's publically-maintained roads.

Since the passage of HB 271, AS 43.52 has been amended three times; two of which were to exempt Alaskan businesses doing business with other Alaskan businesses. The third time was to exempt motorcycles.

The intent of SB 178 is to clarify, once again, which rental vehicles are to be covered by the tax and which are not. It is the committee's intent that only passenger rental cars, as described in AS 43.52.10, should be taxed.

ALASKA STATE LEGISLATURE

Session:

State Capitol, Room 115
Juneau, Alaska 99801-2186
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Senator Click Bishop

CS Senate Bill 178 Sponsor Statement

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, CSSB 178 amends the statute to make it clear that the rental vehicle tax does not apply to Alaskan businesses making long-term rentals to other Alaskan businesses.

Specifically, CSSB 178:

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.



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

April 7, 2014

The Honorable Kevin Meyer, Co-Chair
The Honorable Click Bishop, Member
Senate Finance Committee
State Capitol, Room 532
Juneau, AK 99801

Re: Question on Vehicle Rental Tax

Dear Senators Meyer and Bishop:

The purpose of this letter is to clarify the Department's position and interpretation of the definition of "passenger vehicle" in AS 43.52.099(2) for the purposes of our vehicle rental tax. Specifically, the Department has been asked how it interprets the phrase: "a motor vehicle... that is driven or moved on a highway or public right-of-way in the state" contained in the definition.

For vehicle rental tax purposes, the Department's interpretation of this definition is based on access. If a member of the general public can freely drive on the road system without breaking any laws or having someone stop them and tell them they cannot go any further, they are on a highway or public right-of-way. For example, an individual can rent a vehicle in Anchorage, drive to Deadhorse via the Dalton Highway, and travel many places around Deadhorse and the North Slope in general. However, there are areas of the North Slope that are private or restricted that a member of the general public would not be able to drive to. Vehicle rental tax would apply to that transaction because the individual drove the rented vehicle on different highways and public rights-of-way.

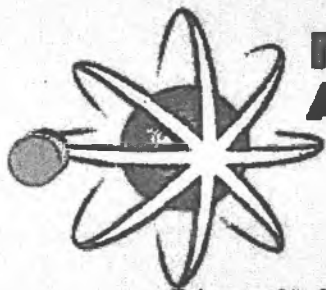
If an Alaska business rents to another Alaska business located in an area of the state that is not accessible by the general public, and all of the vehicles the business rents, regardless of rental period, are never driven on a road that can be accessed by the general public, then under our interpretation of the current statutes, those transactions would not be taxable. However, once that vehicle is driven on a highway or public right-of-way that is open to and accessible by the general public, and the rental period is less than 90 days, it becomes a taxable transaction under the current definition.

I hope that this helps clarify the questions that have recently arisen on this bill. If you have further questions, do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Angela M. Rodell".

Angela Rodell
Commissioner



MagTec Alaska, LLC

43385 Kenai Spur Highway, Kenai, AK 99611
(907) 335-6305 phone (907) 335-6313 fax

February 20, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

I am writing to you in support of Senate Bill 178.

MagTec Alaska, I.L.C services various businesses in the State of Alaska, providing rental equipment and support services to industry projects. Our main locations are Prudhoe Bay and the Kenai Peninsula.

We are supporting House Bill 314 because we feel that it clarifies the original intent of the vehicle tax. Currently, with the interpretation and enforcement of their interpretation of the rental vehicle tax by the Alaska Department of Revenue, it has created undo complications to our business processes, requiring us to implement manual procedures to determine what is and isn't taxable, as well as requiring us to collect this tax on long term rentals from our Alaskan businesses.

If this new bill is not passed, we feel that this will create unfair competitive advantages between Alaskan businesses in this heavily supported industry.

Thank you for your time and consideration of my comments regarding this Senate Bill 178. If you have any questions regarding my support, please contact me at 907-335-6305.

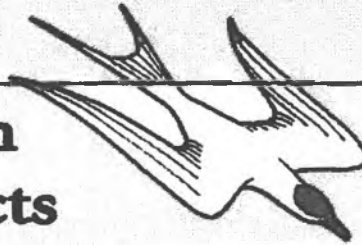
Best regards.

Sincerely yours,

Ryan A. Peterkin
President, MagTec Alaska, I.L.C

Cc: Senator Bishop

**Arctic
Petroleum
Products**



February 20, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

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 Senate Bill 178. If there are any concerns regarding my support, please contact me at 907-252-5169.

Best Regards.

Wayne Wong
Managing Member
Cc: Senator Bishop

PO Box2656 Kenai Alaska 99611



ALASKA AUTO DEALERS ASSOCIATION

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

February 20, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: Senate Bill 178, Passenger Vehicle Rental Tax

Chairman Egan,

Thank you for hearing SB 178. I am pleased to inform you that the Alaska Auto Dealers Association (AADA) fully supports this legislation and hopes for its quick passage. I am writing to you in support of Senate Bill 178.

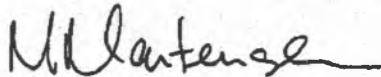
The AADA is very familiar with the Rental Car Tax and its legislative history. SB 178 clarifies the original intent of the legislature that was to tax outside visitors and tourists to help raise fund for road maintenance and tourism marketing.

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.

SB 178 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 Senate Bill 178.

Sincerely,



Marten Martensen
President

cc: Senator Click Bishop



February 20, 2014

The Honorable Senator Dennis Egan
House Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

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

We are in support of Senate Bill 178 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 Senate Bill 178. 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', is written over a faint circular stamp.

Elton McGahan
Managing Member

Cc: Senator Bishop



February 21, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
Juneau, Alaska

Senator.Dennis.Egan@aklegov.gov

Re: SB 178 Passenger Vehicle Rental Tax

Chairperson Egan,

I am writing to you in support of Senate Bill 178. 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.

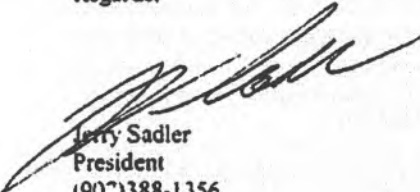
Coincidentally, we also owned the National-Alamo rental car concession for Fairbanks until May of 2013 so we are very familiar with and have paid the rental car tax since its inception and continue to do so today for our small remaining truck rental business.

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 SB 178. 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: Senate Transportation Committee Members, Sen. Click Bishop, Sen. John Coghill



P.O. Box 72578 Fairbanks, AK 99707



Construction
Environmental
Materials

P.O. Box 70668

Fairbanks, AK 99707

Phone: 907.452.2512

Fax: 907.452.1067

www.bricecompanies.com

February 21, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Senator.Dennis.Egan@akleg.gov

RE: SB178 Passenger Vehicle Rental Tax

Chairman Egan:

I am writing to you in support of Senate Bill 178. 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 Senate Bill 178.

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,

Sam Robert Brice
President

Cc: Senator Bishop

Senator.Click.Bishop@akleg.gov



February 21, 2014

The Honorable Senator Dennis Egan Senator.Dennis.Egan@akleg.gov
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

I am writing to you in support of Senate Bill 178. Our company, SolstenXP, is an Alaska project management and contracting Service Company, for the petroleum and natural resource industries. Our services include permitting, exploration project management, drilling engineering, rig operations, infrastructure and facilities construction, production operations and decommissioning. An integral part of the various services we perform is the rental of vehicles on a long term basis.

We support the SB 178 bill for the following reasons;

- o The bill clarifies the original intent of the legislature when the Rental Car Tax was passed
- o The original 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 this Bill is not passed, the result will be a direct pass-through retroactive tax, along with penalties and interest for the past 10 years, based on DOR's new interpretation and application of the vehicle rental tax. If not revised, this new interpretation could have a significant negative impact on our business, as well as our suppliers and customers in Alaska. SB 178 will also reduce the minimum gross vehicle weight rating to qualify for this exemption from 8,500 lbs to 6,500 lbs to insure that the rental vehicle tax is not being applied to Alaskan businesses engaged in commercial rentals of heavy vehicles (i.e. half-ton and one-ton trucks) to other Alaskan businesses.

Thank you for your time and consideration of my comments regarding Senate Bill 178. If you have any questions regarding my support, please contact me at eric.dompeling@solstenxp.com, or by phone at (907) 264-6107.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Dompeling".

Eric Dompeling
New Ventures Manager
SolstenXP Inc.

Cc: Senator Bishop Senator.Click.Bishop@akleg.gov

Brittany Hutchison

From: Chris Von Imhof <
Sent: Friday, February 21, 2014 3:26 PM
To: Sen. Click Bishop
Subject: Fwd: Letter of Support for SB 178 and HB 314-- Clarification Legislative Intent for Rental Car Tax
Attachments: Rental_Car_Tax_Revision_Sponsor_Statement_2-3-14.docx

-----Original Message-----

From: Chris Von Imhof ·
To: Senator.Dennis.Egan <Senator.Dennis.Egan@akleg.gov>
Cc: "Senator.Click.Bishop" <Senator.Click.Bishop>
Sent: Fri, Feb 21, 2014 3:20 pm
Subject: Fwd: Letter of Support for SB 178 and HB 314-- Clarification Legislative Intent for Rental Car Tax

EDELWEISS ENTERPRISES, LLC
Girdwood, Alaska 99587

The Honorable Senator Dennis Egan,
Senate Transportation Committee
State Capitol Room 9,
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairperson Egan,

I am writing to you in support of Senate Bill 178

About 50 years ago I worked for your father Gov. Egan as Director of Tourism.

Since that time I have been CEO and General Manager at Alyeska Resort for most of my life. We are a year round Resort in Girdwood and our primary business is the Hotel and Ski area operation.

In 2004 a Car Rental tax was passed to tax the visitor and tourists. The tax was to be used for increased tourism marketing funding. I certainly supported this new tax.

Recently the Dept. of Revenue decided this tax should also apply to the North slope Heavy-Duty Rental Trucks that are used by the Oil companies for industrial purposes, even though they maintain their own roads.

To the best of my knowledge this was not the intent of the " Tourism " Rental Car Tax. It seems like the DOR is trying to kill the goose that lays the Golden Egg.

Please review the attached clarification on this car rental tax.

I would greatly appreciate your support of SB 178

I appreciate your consideration of my comments regarding the Senate Bill 178.

Thank you for your good work for us Alaskans,

 Chris von Imhof

Cc: Senator Bishop



ALASKA CHAMBER

February 24, 2014

The Honorable Dennis Egan
Chairman, Transportation Committee
Alaska State Senate, Capitol Room 9
Juneau, AK 99801

Re: Senate Bill 178 Vehicle Passenger Rental Tax

Dear Chairman Egan,

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 Senate Bill 178 (SB 178).

SB 178 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. SB 178 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 SB 178 during the 28th Alaska Legislative Session.

Sincerely,

Rachael Petro
President/CEO

Cc: Senator Click Bishop
Senator Peter Micciche



February 24, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Senator.Dennis.Egan@akleg.gov;

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

I am writing to you in support of Senate Bill 178.

- I own and run a small Alaskan Owned Business who leases larger vehicles long term and see the passage of SB 178 as a necessary component for fair business practice to Alaskan Owned Companies that lease vehicles long term to companies like mine, who would be significantly negatively financially impacted if this bill is not passed.
- The bill clarifies the original intent of the legislature when the Rental Car Tax was passed. The original intent of the lawmakers was not to tax Alaskan Businesses doing business with other Alaskan Businesses, rather the intent of this tax was always targeted towards having outside visitors and tourists help raise funds for tourism related marketing funding.
- If this Bill is not passed, the result will be a direct pass-through tax by vendors of my business, increasing fees to them and the possible loss of jobs for me and my employees, when this was clearly never intended to be a tax on Alaskan Businesses.

Thank you for your time and consideration of my comments regarding my support of Senate Bill 178. If you have any questions regarding my support, please contact me at 907-677-6511

Cc: Senator Bishop

Senator.Click.Bishop@akleg.gov

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Shane M. Langland". Below the signature is a small, faint printed name "Shane Langland".

Shane M. Langland
Owner, Eagle Enterprises, Inc.

5849 Old Seward Hwy
Anchorage, AK 99518

Phone: 907-562-2331
Fax: 907-562-6955

www.eaglesafety.net



February 24, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Senator.Dennis.Egan@akleg.gov

Re: SB 178 Passenger Vehicle Rental Tax

Dear Chairman Egan,

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 Senate Bill 178.

Senate Bill 178 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 Senate Bill 178. 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 be "J. Gries", written over a horizontal line.

Jeff Gries, P.E., Principal

Cc: Senator Bishop Senator.Click.Bishop@akleg.gov



ALASKAN OWNED & OPERATED SINCE 1944

February 21, 2014

The Honorable Senator Dennis Egan Senator.Dennis.Egan@akleg.gov
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,


I am writing to you in support of Senate Bill 178.

- 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 SB 178 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 SB 178 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 Senate Bill 178.

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: Senator Bishop Senator.Click.Bishop@akleg.gov



February 22, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, AK 99801

Subject: Senate Bill 178 Passenger Vehicle Rental Tax

Chairman Egan,

This letter is being written in support of Senate Bill 178. 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 SB 178 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 Senate Bill 178, 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 SB178.

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 Kissee
President

Cc: Senator.Click.Bishop@alleg.gov



February 24, 2014

The Honorable Senator Dennis Egan Senator.Dennis.Egan@akleg.gov
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

I am writing to you in support of Senate Bill 178.

- I own and run a small, Alaskan owned business who often leases larger vehicles long term throughout all areas of the state and see the passage of HB314 as a necessary component for fair business practice to Alaskan owned companies that lease vehicles long term to companies like mine, who would be significantly negatively financially impacted if this bill is not passed.
- The bill clarifies the original intent of the legislature when the Rental Car Tax was passed. The original intent of the lawmakers was not to tax Alaskan businesses doing business with other Alaskan Businesses, rather the intent of this tax was always targeted towards having outside visitors and tourists help raise funds for tourism related marketing funding
- If this Bill is not passed, the result will be a direct pass-through tax by vendors of my business, increasing fees to them and the possible loss of jobs for me and my employees, when this was clearly never intended to be a tax on Alaskan Businesses.

Thank you for your time and consideration of my comments in support of Senate Bill 178.

Thank you for your time and consideration of my comments regarding my support of Senate Bill 178. If you have any questions regarding my support, please contact me at 907-677-7701

Cc: Senator Bishop Senator.Click.Bishop@akleg.gov

Respectfully Submitted,

Clint H. A. Lentfer, MBA
Owner, Alaska Appraisal & Consulting Group, LLC



ASSOCIATED GENERAL CONTRACTORS of ALASKA

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

February 25, 2014

Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau AK, 99801

RE: SB 178 Passenger Vehicle Rental Tax

Dear Senator Egan *Dennis*

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 Senate Bill 178.

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. SB178 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 SB178.

Sincerely,

John MacKinnon, Executive Director
Associated General Contractors of Alaska



7000 East Palmer-Yukon Highway, Palmer, Alaska 99615 Tel: (907) 746-3144 Fax: (907) 746-5957

www.cruzconstruct.com

February 26, 2014

Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, AK 99801

RE: SB 178 Passenger Vehicle Rental Tax

Dear Dennis

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 SB 178 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 SB178.

Best,

A handwritten signature in black ink, appearing to read "D Cruz".

Dave Cruz, President of Cruz Companies

TYLER RENTAL INC.

March 3, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

Re: SB 178 Passenger Vehicle Rental Tax

Chairman Egan,

I am writing to you in support of Senate Bill 178.

I am the President and owner of Tyler Rental, Inc. Tyler operates in four locations in Southeast Alaska and one location in Washington State. Our primary business is the rental of large construction equipment. We do offer pickup trucks for rent primarily to construction and mining support companies that have projects in Alaska. We do not rent trucks to tourists or advertise in the travel industry.

We just recently became aware of Rental Car Tax. This came as a surprise to us as we have never received any information from the State of Alaska regarding this tax. We are in the process of going through our records to identify what needs to be reported. We are also trying to figure out how to capture this information in our computer systems going forward.

The regulations as currently written by the state are both inflexible and do not appear to have an understanding of how construction projects unfold in Southeast Alaska. Most of our construction is during the summer months with many projects taking three to six months to complete. The inflexibility of current regulations create unnecessary communication and accounting problems for both Tyler and our customers. It also appears that the original intent was to tax short term car rentals to capture tourist dollars in an effort to help fund road maintenance. A large percentage of the vehicles that we rent are for remote projects that are not on the State of Alaska highway system and therefore fall outside of the original legislative intent.

For out of state contractors it may be cheaper to bring in their own pickup trucks for their Alaska projects which will create a financial hardship for Tyler Rental and other companies that rent pickups for construction related activity. The way the regulations are written there will be an unnecessary and ongoing administrative cost to comply. Any and all laws with related regulations need to be written in such a manner that the law can be complied with in a timely, accurate, cost effective manner for the citizens. The current regulations are more antagonistic then helpful to a citizen.

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PO Box 8158
Ketchikan, AK 99901
Office: 907-225-6069
Fax: 907-225-6118

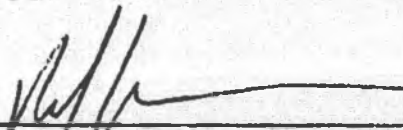
Craig, AK
400 Port Bagial Blvd
PO Box 1172
Craig, AK 99921
Office: 907-826-2924
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5295 Glacier Hwy
Juneau, AK 99801
Office: 907-780-2210
Fax: 907-780-2213

Chehalis, WA
153 Hamilton Rd North
Chehalis, WA 98532
Office: 360-748-8109
Fax: 360-748-8113

Thank you for your time and consideration of my comments regarding Senate Bill 178. If you have any questions regarding my support, please contact myself at 907 228-5352 or my Chief Financial Officer, Doug Johnson at 907 228-5379.

Sincerely yours



Randy Johnson, President of Tyler Rental, Inc.

Cc: Senator Bishop



February 27, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
State Capitol Room 9
Juneau, Alaska 99801

RE: SB 178 Passenger Vehicle Rental Tax

Dear Senator Egan:

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: Senator Bishop

Brittany Hutchison

From: Scott Thorson
Sent: Friday, February 28, 2014 11:39 AM
To: Sen. Click Bishop
Subject: Senate Bill 178

Dear Senator Bishop:

I am writing to express my strong support for Senate Bill 178, an Act relating to the application of the passenger vehicle rental tax; and providing for an effective date.

I believe the Department of Revenue has gone too far in its changing interpretation of the car rental tax. Raiding Alaska owned businesses with armed tactical law enforcement units was completely uncalled for. I also think it was very unfair to change the interpretation of this tax and expect to collect revenue going back several years.

In one case I am familiar with the company was contacted several years ago regarding this tax. The company in question provided the requested documentation and never heard back from DOR regarding the matter. Four years later the DOR raided this company right in the middle of a board meeting. Many of the officers were armed, like they were making some sort of drug raid. Most or maybe all of their computers were confiscated which it made it almost impossible for them to conduct business. I thought this was very heavy handed and completely unnecessary.

I am very glad you are working to resolve this problem and prevent a repeat of this in the future with Senate Bill 178. I hope you are able to pass it out of committee and get it to the floor for a vote soon.

Thank you for your time and effort to resolve this problem.

Scott Thorson

Anchorage, AK

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' in a cursive script.

KARA MORIARTY
President/CEO

Cc: Representative Steve Thompson

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: CSSB 178(FIN)
Fiscal Note Number: 2
(S) Publish Date: 4/8/14

Identifier: SB178CS(FIN)-DOR-TAX-04-01-14
Title: PASSENGER VEHICLE RENTAL TAX
Sponsor: BISHOP
Requester: (S) FIN

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								
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	0.0

Fund Source (Operating Only)

None								
Total	0.0	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 changes in version "Y" which was adopted by SFIN on 04-01-14.

Prepared By:	Matt Fonder, Director	Phone:	(907)269-6628
Division:	Tax	Date:	04/01/2014 12:00 PM
Approved By:	Angela M. Rodell, Commissioner	Date:	04/01/14
Agency:	Department of Revenue		

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 178(FIN)

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.

CS FOR SENATE BILL NO. 178(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/8/14
Referred: Rules

Sponsor(s): SENATORS BISHOP, Micciche, Giessel, Dyson

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).