

**HB**

**314**

<TARGET><BILL>HB 314</BILL><SUBJECT>HB  
314</SUBJECT><COMM>HTRA28</COMM></TARGET>

28-LS1479C  
Strasbaugh  
3/27/14

**CS FOR HOUSE BILL NO. 314( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-EIGHTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**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 AS 43.52.030 and 43.52.040 are repealed.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:**  
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\C)

- (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

# ALASKA STATE LEGISLATURE

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## REPRESENTATIVE STEVE THOMPSON DISTRICT 3

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

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, 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.

E-mail Representative\_Steve\_Thompson@akleg.gov

# ALASKA STATE LEGISLATURE

**Session:**

**State Capitol Building  
Room 500  
Juneau, Alaska 99801-2186  
Phone (907) 465-3004  
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## REPRESENTATIVE STEVE THOMPSON DISTRICT 3

### House Bill 314 - Sponsor Statement

In 2003, the legislature passed a rental vehicle tax intended to raise revenue from tourists using the State's road system. The rental car companies collect the tax from tourists renting an automobile and then pay that tax to the State. For the first nine years of the rental vehicle tax, the Department of Revenue (DOR) did not apply the tax to Alaskan companies engaged in the long-term leasing of heavy vehicles to other Alaskan businesses. In 2013, however, the DOR began to attempt to collect the rental vehicle tax from Alaskan businesses who do NOT rent to tourists, and who had long-term leases, mostly of heavier vehicles, with other Alaskan businesses. Moreover, instead of announcing its new position and applying it prospectively, DOR has sought to apply the rental vehicle tax retroactively to 2004. Requiring businesses to pay a 10% rental vehicle tax on all leases for the past nine years that were not collected from clients may bankrupt many small Alaska businesses.

HB 314 clarifies and amends the rental vehicle tax to make it clear that the vehicle rental tax does not apply to Alaskan businesses making long-term rentals to other Alaskan businesses.

Specifically, HB 314:

- (1) States that all rentals in excess of 30 days are exempt from the rental vehicle tax and clarifies that all renewals and extensions of a vehicle lease are included when determining if a lease is more than 30 days
- (2) Revises the rental vehicle tax to exclude vehicles with a gross vehicle weight rating of 6,500 lbs or more that are primarily used for the personal or commercial transportation of goods, equipment or other property. DOR has interpreted the current rental vehicle tax's exemption of vehicles used to transport personal property as applying only to the transport of household goods for private, personal purposes. HB 314 clarifies that this exemption applies to the transport of any goods, equipment, or other property, whether for commercial or private purposes. HB 314 also reduces 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 3/4 ton trucks) to other Alaskan businesses.

- (4) Makes these changes retroactive to 2004, as they reflect the original intent of the legislature that the vehicle rental tax applies to tourists, and not to Alaskan businesses renting to other Alaskan businesses.

Currently, DOR is attempting to collect nine years of back taxes, interest, and penalties from many different Alaskan companies based on its new interpretation and application of the vehicle rental tax. HB 314 clarifies that the DOR's actions are contrary to the original intent of the legislation and ensures that back taxes, interest, and penalties are not owed.

<b>Business License#</b>	<b>Business Name</b>	<b>City</b>
17352	AIRPORT EQUIPMENT RENTALS, INC 1285 VAN HORN RD, FAIRBANKS, AK 99701	FAIRBANKS
311773	ALASKA FRONTIER CONSTRUCTORS INC 6250 S AIRPARK PLACE, ANCHORAGE, AK 99502	ANCHORAGE
	ALASKA PACIFIC LEASING, LLC 9191 OLD SEWARD HWY., #15, ANCHORAGE, AK 99515	ANCHORAGE
723925	ARCTIC EQUIPMENT LEASING LLC 600 DRIVEWAY STREET, FAIRBANKS, AK 99701	FAIRBANKS
	ASRC ENERGY SERVICES 3900 'C' STREET, # 701, ANCHORAGE, AK 99503	ANCHORAGE
745837	BRICE EQUIPMENT RENTAL, LLC 1725 BADGER ROAD, NORTH POLE, AK 99502	NORTH POLE
909166	CH2M HILL EQUIPMENT, INC. 949 EAST 36TH AVE, SUITE 500, ANCHORAGE, AK 99508	ANCHORAGE
	CONAM CONSTRUCTION 301 W. NORTHERN LIGHTS, # 300, ANCHORAGE, AK 99503	ANCHORAGE
422089	DELTA LEASING, LLC 8101 DIMOND HOOK DR., ANCHORAGE, AK 99507	ANCHORAGE
	FIVE STAR OILFIELD SERVICES 14890 KENAI SPUR HWY., SUITE 306, KENAI, AK 99611	
	MAGTEC ALASKA, LLC 43385 KENAI SPUR HWY, KENAI, AK 99611	KENAI
	PEAK OILFIELD SERVICES 2525 'C'. STREET, ANCHORAGE, AK 99503	ANCHORAGE
	TYLER RENTAL 5216 BORCH STREET, KETCHIKAN, AK 99901	JUNEAU KETCHIKAN
270673	UNITED RENTALS 12802 TAMPA OAKS BLVD., #350, TEMPLE TERRACE, FL 33637	FLORIDA



ALASKAN OWNED & OPERATED SINCE 1944

February 21, 2014

The Honorable Representative Peggy Wilson     [Representative.Peggy.Wilson@akleg.gov](mailto: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](mailto:Representative.Steve.Thompson@akleg.gov)



Construction  
Environmental  
Materials

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P.O. Box 70668

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Fairbanks, AK 99707

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Phone: 907.452.2512

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Fax: 907.452.1067

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

February 21, 2014

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

[Representative.Peggy.Wilson@akleg.gov](mailto:Representative.Peggy.Wilson@akleg.gov)

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](mailto:Representative.Steve.Thompson@akleg.gov)



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](mailto: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](mailto:Representative.Steve.Thompson@akleg.gov)

## Rebecca Rooney

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**From:** Chris Von Imhof <cvonimhof@aol.com>  
**Sent:** Friday, February 21, 2014 2:59 PM  
**To:** Rep. Peggy Wilson  
**Cc:** Rep. Steve Thompson  
**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

EDELWEISS ENTERPRISES, LLC.  
Girdwood, Alaska 99587

The Honorable Representative Peggy Wilson,  
House Transportation Committee  
State Capitol 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 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 HB 314

Thank you for your good work for us Alaskans,

Chris von Imhof

**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.

Wayne Wong

Managing Member

Cc: Representative Thompson

PO Box 2656 Kenai Alaska 99611



February 21, 2014

The Honorable Representative Peggy Wilson [Representative.Peggy.Wilson@akleg.gov](mailto: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.

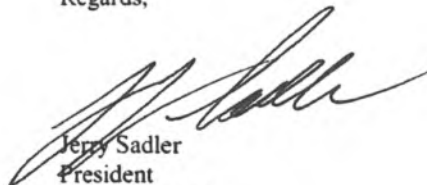
Coincidentally, we also owned the National-Alamo rental car concession for Fairbanks until May of 2013 so we are very familiar with and have paid the rental car tax since its inception and continue to do so today for our small remaining truck rental business.

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](mailto: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 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", written in a cursive style.

Elton McGahan  
Managing Member

Cc: Representative Thompson



# MagTec Alaska, LLC

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

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,

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

MagTec Alaska, LLC 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.

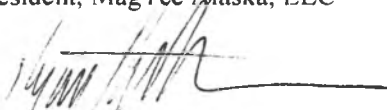
If this new bill is not passed, we feel that this will create unfair competitive advantages between Alaskan businesses in this heavily supported industry.

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

  
Cc: Representative Thompson



406 West Firwood Lane, Anchorage, AK 99503

February 20, 2014

The Honorable Representative Peggy Wilson     [Representative.Peggy.Wilson@akleg.gov](mailto: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](mailto:Representative.Steve.Thompson@akleg.gov)



February 21, 2014

The Honorable Representative Peggy Wilson    [Representative.Peggy.Wilson@akleg.gov](mailto: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 HB 314. 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 HB 314 for the following reasons;

- o The bill clarifies the original intent of the legislature when the Rental Car Tax was passed
- o The 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 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. HB 314 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 House Bill 314. If you have any questions regarding my support, please contact me at [eric.dompeling@solstenxp.com](mailto: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: Representative Thompson    [Representative.Steve.Thompson@akleg.gov](mailto:Representative.Steve.Thompson@akleg.gov)

## 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 \$1 million 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.

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: HB 314  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB314-DOR-TAX-02-21-14  
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 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
<b>OPERATING EXPENDITURES</b>								
Personal Services	746.0		746.0	746.0				
Travel								
Services	47.0		47.0	47.0				
Commodities								
Capital Outlay	500.0							
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>1,293.0</b>	<b>0.0</b>	<b>793.0</b>	<b>793.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

1004 Gen Fund	1,293.0		793.0	793.0				
<b>Total</b>	<b>1,293.0</b>	<b>0.0</b>	<b>793.0</b>	<b>793.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time	10.0		10.0	10.0				
Part-time								
Temporary								

<b>Change in Revenues</b>	***		***	***	***	***	***	***
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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? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/14

**Why this fiscal note differs from previous version:**

Initial fiscal note.
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Prepared By:	Johanna Bales, Deputy Director	Phone:	(907)269-6628
Division:	Tax	Date:	02/21/2014 06:15 PM
Approved By:	Angela M. Rodell, Commissioner	Date:	02/24/14
Agency:	Department of Revenue		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. HB 314

### Analysis

#### Bill Language:

This bill makes significant changes to the vehicle rental tax on passenger vehicles as follows: **(1)** Vehicles rented for longer than 30 days would be exempt from the tax (current law states that vehicles rented for more than 90 days are exempt from the tax); **(2)** allows contract renewals and extensions to be combined when determining if the rental period exceeds 30 days (current regulation does not allow contracts to be combined, however, DOR has a proposed regulation, currently out for public comment, that would exempt contract renewals and extensions from the tax as long as the initial contract exceeds 90 days), **(3)** exempts vehicles with a GVWR greater than 6,500 pounds used to transport personal or commercial equipment or property from the rental tax (current law states that vehicles with a GVWR greater than 8,500 pounds used to transport personal property are exempt from the rental tax), **(4)** contains a retroactive provision whereby the changes identified above would be retroactive to January 1, 2004 (the original enactment date of the vehicle rental tax), and **(5)** contains transition language that would require DOR to adopt regulations that provide a means to reimburse taxpayers for all taxes paid on rentals that would be exempt from the tax based on the changes this bill would make to the tax program and requires DOR to provide public notice regarding potential refunds under this bill.

#### Revenues:

There will be a reduction in vehicle rental tax collected in the future for future vehicle rental contracts. DOR also expects a further reduction in vehicle rental tax during the first three years after the effective date of the act to reimburse taxpayers the tax that was paid during the previous 10 years. 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 from vehicle rental contracts which would allow DOR to currently determine how many rental contracts over the last 10 years would meet the new exemption criteria and, therefore, be eligible for a refund. Since January 1, 2004, DOR has collected approximately \$80 million in revenue (an average of \$8 million a year). Based on limited vehicle rental tax data from audits, DOR estimates that no more than 10% of total vehicle rental contracts would meet the new criteria and, therefore, no more than \$8 million would be reimbursed and future vehicle rental revenue would decrease by no more than \$800,000 each year. In addition, DOR would be required to pay interest on the amount of tax collected. Interest is estimated to be no more than \$6 million in total. Current vehicle rental tax is deposited into a subaccount of the general fund which can be appropriated for tourism marketing.

#### Expenditures:

This bill would require DOR to publicly notice the changes to the vehicle rental tax and establish a program whereby DOR would refund vehicle rental taxes to taxpayers whose vehicle rental contracts met the new exemption criteria established in this legislation. It is important to note that the vehicle rental tax is levied on the customer that rented the vehicle and not the company that collected and remitted the tax. Although there were only 116 companies in FY 2013 that collected and remitted the tax, the DOR estimates that there were between 150,000 to 200,000 customers that rented vehicles in Alaska from January 1, 2004 through December 31, 2013 whose rental contracts met the new criteria and would be due a refund. Based on the language in this bill, DOR would need to establish a program to identify and reimburse these 150,000 to 200,000 taxpayers. The department believes that it would need an additional 10 Tax Technician II positions at a cost of \$74,600 with associated service costs of \$4,700 per position each year to process the estimated 150,000 to 200,000 refund claims submitted by taxpayers. The department would also need to establish a system to track the refund claims to ensure that only valid claims are made and that there are no duplicate claims. The department expects a system to do this would cost approximately \$500,000.

#### Regulations:

Under the provisions of this bill, the department would be required to adopt regulations to provide a means by which taxes collected would be reimbursed and interest would be paid to those taxpayers whose rentals would be exempt under the new criteria established in this bill.



February 24, 2014

The Honorable Representative Peggy Wilson     [Representative.Peggy.Wilson@akleg.gov](mailto: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 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 regarding my **support of House Bill 314**. If you have any questions regarding my support, please contact me at 907-677-7701

Cc: Representative Thompson     [Representative.Steve.Thompson@akleg.gov](mailto:Representative.Steve.Thompson@akleg.gov)

Respectfully Submitted,

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



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 28<sup>th</sup> Alaska Legislative Session.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rachael Petro', written in a cursive style.

Rachael Petro  
President/CEO

Cc: Representative Steve Thompson



**ASSOCIATED GENERAL CONTRACTORS of ALASKA**

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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

## Rebecca Rooney

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**From:** Jane Pierson  
**Sent:** Tuesday, February 25, 2014 12:10 PM  
**To:** Rebecca Rooney  
**Subject:** HB 314

Here is the updated testifier list:

1. Jon Cook— Airport Equipment Rentals
2. Sam Brice— Brice Equipment Rentals
3. Ryan Peterkin— Magtec Alaska
4. Tom Pellegrom— Peak Alaska
5. Randy Johnson – Tyler Rentals

The boss is stuck in HFIN so I will present.

Jane W. Pierson, Chief of Staff  
Representative Steve Thompson  
Alaska State Capitol, Room 500  
Juneau, AK 99801  
Office: (907) 465-6841  
Cell: (907) 978-5115

# Alaska Vehicle Rental Tax Quarterly Return

Authority AS 43.52

DEPARTMENT USE ONLY
ENV
FSN

630

Check if amended return and attach explanation.

**DUE DATE:** The Vehicle Rental Tax Return is due the last day of the month following the end of the calendar quarter.

<input type="checkbox"/> EIN <input type="checkbox"/> SSN	AK Business License #	Calendar Quarter Ending	
Name		Email Address	
Mailing Address			Telephone Number
City	State	Zip Code	Fax Number
Contact Person	Title	Contact Telephone Number	
Physical Locations(s) Where Rental Transactions Take Place (use additional sheets as necessary):			

## Tax Computation - Passenger Vehicles

1	Gross fees and costs	
2	Tax exempt fees and costs	( )
3	Net taxable fees and costs (line 1 minus line 2)	
4	Tax (multiply line 3 by 10% or .10)	

## Tax Computation - Recreational Vehicles

5	Gross fees and costs	
6	Tax exempt fees and costs	( )
7	Net taxable fees and costs (line 5 less line 6)	
8	Tax (multiply line 7 by 3% or .03)	

## Tax Computation - Summary

9	Tax liability (add lines 4 and 8)	
10	Amended returns only: Vehicle Rental Tax paid on original return	( )
11	Total tax due or (refund) (line 9 minus line 10)	

## Electronic Payment Information

Note: If your liability is \$100,000 or more, you must pay using the Online Tax Information System (OTIS) at [www.tax.alaska.gov](http://www.tax.alaska.gov) or by wire transfer.

Check if you are paying by:  OTIS (confirmation # \_\_\_\_\_)  Wire transfer (date \_\_\_\_\_)

*I declare under penalty of perjury that the information provided in this return has been reviewed by me, and to the best of my knowledge and belief is true, correct, and complete. If prepared by a person other than the taxpayer, preparer's declaration is based on all information of which preparer has any knowledge. (AS 43.05.290).*

Signature	Date
Printed Name	Printed Title
Department use only PMD	Validation

Pay online at [www.tax.alaska.gov](http://www.tax.alaska.gov) or make check payable to State of Alaska

630

Mail to: Alaska Department of Revenue, PO Box 110420, Juneau AK 99811-0420

0405-630 Rev 12/12

# Instructions for Alaska Vehicle Rental Tax Quarterly Tax Return

## Who Must File A Vehicle Rental Tax Quarterly Tax Return And Due Dates

A person required to collect from the renter and remit to the department a vehicle rental tax imposed by AS 43.52 is required to file a Vehicle Rental Tax Quarterly Tax Return. The quarterly tax return is due to the State of Alaska Department of Revenue according to the schedule listed below:

<u>Calendar Quarter Ended</u>	<u>Due Date</u>
March 31	April 30
June 30	July 31
September 30	October 31
December 31	January 31

## Tax Rates

AS 43.52.020 levies a tax of 10 percent of the total fees and costs charged for the lease or rental of a passenger vehicle. AS 43.52.030 levies a tax of 3 percent of the total fees and costs charged for the lease or rental of a recreational vehicle.

## Exemptions

1. A lease or rental contract that contains a term exceeding 90 consecutive days is exempt from the vehicle rental tax. Lease extensions, renewals, and new or supplemental contracts may not be combined with previous contracts in determining whether a lease or rental contains a term exceeding 90 consecutive days.
2. The vehicle rental tax does not apply to leases or rentals for official use to federal, state, or local government agencies (AS 43.52.090). The rental agency must obtain a completed Government Use Exemption Certificate from the renter that specifies the nature of the exemption and contains a signed certification by the renter that the lease or rental is authorized by the government agency for official use. The rental agency has the option of using the State of Alaska's Government Use Exemption Certificate form or providing all of the information contained on the State's form as part of the rental agreement contract or as an addendum to the contract.
3. (a) Rental trucks with a gross vehicle weight rating greater than 8,500 pounds and used primarily for the transportation of personal property.  
(b) 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. The rental agency must obtain a completed Other Usage Exemption Certificate from the renter that specifies the nature of the exemption and contains a signed certification by the renter/customer.

## Where To File

TAX DIVISION  
ALASKA DEPARTMENT OF REVENUE  
PO BOX 110420  
JUNEAU AK 99811-0420

## Payment of Tax

Tax payments can be made by Electronic Funds Transfer (EFT), wire transfer or check.

When a return payment is \$100,000 or greater, payment must be made by EFT or wire transfer, see 15 AAC 05.310.

## Electronic Funds Transfer

Pay your taxes online electronically by using the Online Tax Information System (OTIS) Payment Center at [www.tax.alaska.gov](http://www.tax.alaska.gov). OTIS accommodates Automated Clearing House (ACH) debit payments. OTIS does not accept ACH credit or credit card transactions. You must be registered in My Alaska to make your payment using OTIS.

You must be an existing taxpayer with the Tax Division to pay electronically using OTIS. If you are a first-time taxpayer, contact the Tax Division at 907-465-2320 or visit [www.tax.alaska.gov](http://www.tax.alaska.gov) for information.

If your bank account has a debit block, your online payment request will be rejected by your bank. Rejected payments may result in late payment penalties and/or interest. If you think your bank account has a debit block, contact your bank before making an online payment to register the State of Alaska as an authorized ACH debit originator. The company ID for the Alaska Department of Revenue is 0000902050.

## Wire Transfer

If you are paying by wire transfer, you are required to notify the State of Alaska, Treasury Division by 2:00 p.m. the business day prior of the wire transfer settlement date. Use fax number 907-465-4019 or email to [cashmgmt@alaska.gov](mailto:cashmgmt@alaska.gov). The notice must include the taxpayer name, Employer Identification Number (EIN), tax type, tax year, total payment amount, settlement date and the state agency the funds are for. If the payment covers multiple tax types or tax years, specify the amount applicable to each.

## Payment By Check

Make checks payable to the State of Alaska. Note that if your total payment exceeds \$150,000, you are required to pay by EFT or wire transfer.

Checks must be submitted with the appropriate return or payment voucher. Payment vouchers can be found on the OTIS Payment Center which must show name, address, tax year and EIN.

Mail check with return or payment voucher to:  
TAX DIVISION  
ALASKA DEPARTMENT OF REVENUE  
PO BOX 110420  
JUNEAU AK 99811-0420

## Penalties

1. Late filing of a return. A person that does not file their return by the due date is subject to a failure to file penalty of 5% of the unpaid tax for each 30 day period or portion of a period the return is late, up to a maximum of 25%.
2. Late payment of tax. A person that does not pay the full amount of tax when due is subject to a failure to pay penalty of 5% of the unpaid tax for each 30 day period or portion of a period the payment is late, up to a maximum of 25%. If

during any period or portion of a period, both the failure to file and failure to pay penalties are applicable, only the failure to file penalty is imposed.

### Alaska Interest Rates On Tax Due

Refer to interest rates posted at [www.tax.alaska.gov](http://www.tax.alaska.gov).

### Line By Line Instructions

**Line 1** - Enter gross fees and costs charged for lease or rental of passenger vehicles during the calendar quarter. See definitions of "fees and costs", "calendar quarter" and "passenger vehicle" found in the Definitions section of instructions.

**Line 2** - Enter tax exempt fees and costs charged for the rental or lease of passenger vehicles during the calendar quarter. See Exemptions section of instructions for charges that should be included on this line.

**Line 3** - Subtract Line 2 from Line 1 and enter results.

**Line 4** - Multiply Line 3 by 10% or .10 and enter results.

**Line 5** - Enter gross fees and costs charged for lease or rental of recreational vehicles during the calendar quarter. See definitions of "fees and costs", "calendar quarter" and "recreational vehicle" found in the Definitions section of the instructions.

**Line 6** - Enter tax exempt fees and cost charged for the rental or lease of recreational vehicles during the calendar quarter. See Exemptions section of instructions for charges that should be included on this line.

**Line 7** - Subtract Line 6 from Line 5 and enter results.

**Line 8** - Multiply Line 7 by 3% or .03 and enter results.

**Line 9** - Add Line 4 and Line 8 together and enter results.

**Line 10** - If you are filing an amended return, enter the Vehicle Rental Tax paid when you filed the original return for the same calendar quarter. If you are not filing an amended return, enter zero on this line.

**Line 11** - Subtract Line 10 from Line 9 and enter the results. If the results are positive, taxes are due to the Department. If the results are negative, you will receive a refund from the Department.

### Definitions

**Calendar Quarter** means the period of three calendar months of the calendar year each beginning January 1, April 1, July 1, and October 1.

**Commercial Vehicle** means a motor vehicle or a combination of a motor vehicle and one or more other vehicles that are used to transport property or more than 14 passengers (including the driver), used on a land highway or vehicular way, weighs more than 26,000 pounds or transports hazardous materials.

**Department** means the Department of Revenue.

**Emergency or Fire Equipment** means equipment that is necessary to the preservation of life or property.

**Farm Vehicle** means a 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.

**Federal, State or Local Government Agency** means domestic federal, state and local agencies, as well as foreign agencies exempt by federal law from the tax and which possess a tax exemption card issued by the United States Department of State.

**Fees and Costs** means all charges incurred by the renter for the lease or rental of a passenger or recreational vehicle without regard to billing practices, credit procedures, or bad debt and includes amounts paid to, or retained by, travel and other agents as a commission or fee for services related to the leasing or rental of a passenger or recreational vehicle. All charges incurred do not include:

- fees from the sales of automobile liability insurance, loss damage waiver insurance or personal accident insurance
- parking tickets
- sales or excise taxes
- payment for damages to the vehicle during the rental period
- concession fees paid to an airport
- separately itemized charges for pots, pans, linens, cellular telephones, child car seats, global positioning systems and other personal property
- cancellation fees
- certain adjustments made at the end of a contract for fuel, damage, towing fees and overdue penalties

**Passenger Vehicle** means a motor vehicle (self-propelled, but not by animal or human power) that is driven or moved on a highway or other public right-of-way in the state. Passenger vehicles do not include commercial vehicles, emergency or fire equipment, farm vehicles or recreational vehicles.

**Recreational Vehicle** means a motor vehicle or trailer for recreational dwelling purposes, a motor home or other vehicle with a motor home body style, a one-piece camper vehicle or any other self-propelled vehicle with living quarters.

**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 devices used exclusively upon stationary rails or tracks, mobile homes or watercraft.

### Need Help?

These instructions are not regulations and are offered only for the convenience of the taxpayer in completing the form. The applicable regulation may be found at 15 AAC 52.010 - .990. If you have any questions regarding these filing requirements, please contact:

TAX DIVISION  
ALASKA DEPARTMENT OF REVENUE  
550 W 7TH AVE, SUITE 500  
ANCHORAGE AK 99501  
Phone: 907-269-6620  
Fax: 907-269-6644