

HB

56

<TARGET><BILL>HB 56</BILL><SUBJECT>HB
56</SUBJECT><COMM>SF IN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/25/13

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered HOUSE BILL NO. 56

HB 56 PASSENGER VEHICLE RENTAL TAX

"An Act excluding motorcycles and motor-driven cycles from the passenger vehicle rental tax; and providing for an effective date."

and recommends:

- be replaced with SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- adopt previous SCS _____ (_____) Same Title Technical Title Change
 New Title/SCR No. _____
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

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

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

PREVIOUS FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
REV	✓			1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Anna Fairclough</i>	FAIRCLOUGH	X			
<i>C. Bishop</i>	BISHOP	X			
<i>Michael J. Durlan</i>	DURLAN	X			
<i>John Hoffman</i>	Hoffman	✓			
<i>Donald Gibson</i>	GIBSON	✓			
CO-CHAIR: <i>K. Meyer</i>	Meyer	✓			
CO-CHAIR:					

Fiscal Note

State of Alaska
2013 Legislative Session

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

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

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

Expenditures/Revenues

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

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues			(12.0)	(12.0)	(12.0)	(12.0)	(12.0)
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Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

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

Why this fiscal note differs from previous version:

Initial version.

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

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

FISCAL NOTE ANALYSIS #1

STATE OF ALASKA
2013 LEGISLATIVE SESSION

BILL NO. HB 56

Analysis

Bill Language:

This bill would exempt motorcycles from the vehicle rental tax.

Revenues:

The state receives approximately \$12,000 each year in vehicle rental tax from the rental of motorcycles in the state. Revenue would decrease by approximately \$12,000 each year as a result of this legislation.

Expenditures:

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



Representative Lindsey Holmes

Sponsor Statement

HB 56 – Passenger Vehicle Rental Tax

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

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

The motorcycle rental season is brief, lasting only around four months. However, rental businesses incur fleet storage costs even in the winter months. The short rental season and high cost of overhead increase the price of rentals, making it difficult to draw in customers. Adding a 10% state tax makes renting motorcycles even more challenging for rental businesses.

In 2003, the legislature passed a motor vehicle rental tax for rental cars. Motorcycles were unintentionally included in that law. During the 2003 hearings, motorcycles were never considered and the Department of Revenue did not collect the tax until several years after the law became effective. Passing this legislation corrects the accidental inclusion of motorcycles to the existing rental vehicle tax.

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

Chapter 43.52. TRANSPORTATION TAXES

Article 01. VEHICLE RENTAL TAXES

Sec. 43.52.010. Levy of passenger vehicle rental tax.

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

Sec. 43.52.020. Rate of passenger vehicle rental tax.

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

Sec. 43.52.030. Levy of recreational vehicle rental tax.

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

Sec. 43.52.040. Rate of recreational vehicle rental tax.

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

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

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

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

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

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

Sec. 43.52.060. Applicability of the tax.

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

Sec. 43.52.070. Relationship to municipal levies.

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

Sec. 43.52.080. Administration of tax.

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

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

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

Sec. 43.52.090. Exemption.

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

Sec. 43.52.099. Definitions.

In AS 43.52.010 - 43.52.099,

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

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

(B) parking tickets;

(C) sales or excise taxes;

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

(E) concession fees paid to an airport;

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

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

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

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

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

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

(D) a recreational vehicle;

(E) a taxicab;

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

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

(3) "recreational vehicle" means

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

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

(C) a one-piece camper vehicle; and

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

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

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

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

(B) mobile homes; or

(C) watercraft.

Alaska Motorcycle Adventures

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www.rentalaska.com

February 19, 2013

Honorable Representatives:

We are writing to you to ask for your support of House Bill 56 regarding excluding motorcycles from the Passenger Vehicle Rental Tax.

http://www.legis.state.ak.us/basis/get_bill.asp?bill=HB%20%2056&session=28

We are the owners of Alaska Motorcycle Adventures. A small business located in the Palmer, Alaska. We have been renting motorcycles in Alaska since 1994. Yes, 2013 will be our 20th summer providing a great service for Alaskan tourists that would choose to vacation elsewhere if it were not for the availability of motorcycle rentals.

In 2003, the Alaska legislature passed HB 271, a vehicle rental tax on passenger vehicles, without any knowledge or discussion of the motorcycle rental businesses that were operating at that time. We had been in business for at least 8 years.

We (motorcycle rental businesses) went unnoticed for another 5 years. Therefore, we did not collect the 10 % VRT from our customers. In 2008, a Department of Revenue (DOR) employee was driving on Spenard Road in Anchorage and saw the store front for one of the motorcycle rental companies (Alaska Rider Tours/MotoQuest). Soon after, most of us were contacted by DOR, and directed to collect and forward the 10% tax. In addition, the Department of Revenue requested the back taxes, from 2005 to 2009 - 5 years of taxes that we did not collect - something that would have bankrupt every one of our small businesses! After much discussion and pleading, the back taxes were forgiven as we had never collected them and we were completely unaware we required to do so.

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

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

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

Ericsson's Motorcycle Tours (Sweden) **

7 motorcycles - total Vehicle Rental Tax \$1,435.00
 Same rental for an motorhome/RV = \$430.50 tax

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

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

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

The unintended consequence of the excessive Vehicle Rental Tax is that our customers choose to rent the motorcycle(s) for fewer days to cover or reduce their rental tax. Or they choose not to visit Alaska at all! When we have fewer rental days, we need fewer employees and we spend fewer dollars in other Alaskan businesses. This hurts all of the small, locally owned businesses that are so vital to our Alaskan economy.

Thank you for your heartfelt consideration of passing into law HB 56. Please contact me if you need further information or have any questions.

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

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