

SB

178

<TARGET><BILL>SB 178</BILL><SUBJECT>SB
178</SUBJECT><COMM>SFIN28</COMM></TARGET>

SENATE FINANCE COMMITTEE REPORT

DATE: 3/21/14

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered SENATE BILL NO. 178

SB 178-PASSENGER VEHICLE RENTAL TAX

"An Act relating to the application of the passenger vehicle rental tax; and providing for an effective date."

and recommends:

- be replaced with CS SB 178 (FIN) Same Title New Title
- adopt previous CS _____ (_____) Same Title New Title
- attached amendment(s)
- adopt SSB 178 (FIN) Letters 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 #
REV		✓		

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

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Mark J. Tuboy</i>	Dudoux			✓	
<i>Anna J. Fairclough</i>	FAIRCLOUGH				✓
<i>Calich Bishop</i>	Bishop	✓			
<i>James Hoffmann</i>	Hoffmann	✓			
<i>Thomas J. Meyer</i>	Ozkan			✓	
CO-CHAIR: <i>K. Meyer</i>	Meyer	✓			
CO-CHAIR:					

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: SB 178
Fiscal Note Number: _____
() Publish Date: _____

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 2015	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	***		***	***	***	***	***	***
---------------------------	-----	--	-----	-----	-----	-----	-----	-----

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

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. CSSB 178

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.

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Pete Kelly, Co-Chair
State Capitol, Room 516
Juneau, AK 99801-1182
(907) 465- 3709 - Phone
(907) 465- 4714 - Fax
Senator.Pete.Kelly@akleg.gov



Official Business

Senator Kevin Meyer, Co-Chair
State Capitol, Room 518
Juneau, AK 99801-1182
Phone - (907) 465- 4945
Fax - (907) 465- 3476
Senator.Kevin.Meyer@akleg.gov

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 publicly-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 43.52.010, should be taxed.

ADOPTED 4/1/14

28-LS1406\Y
Strasbaugh
3/28/14

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:

Referred:

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:

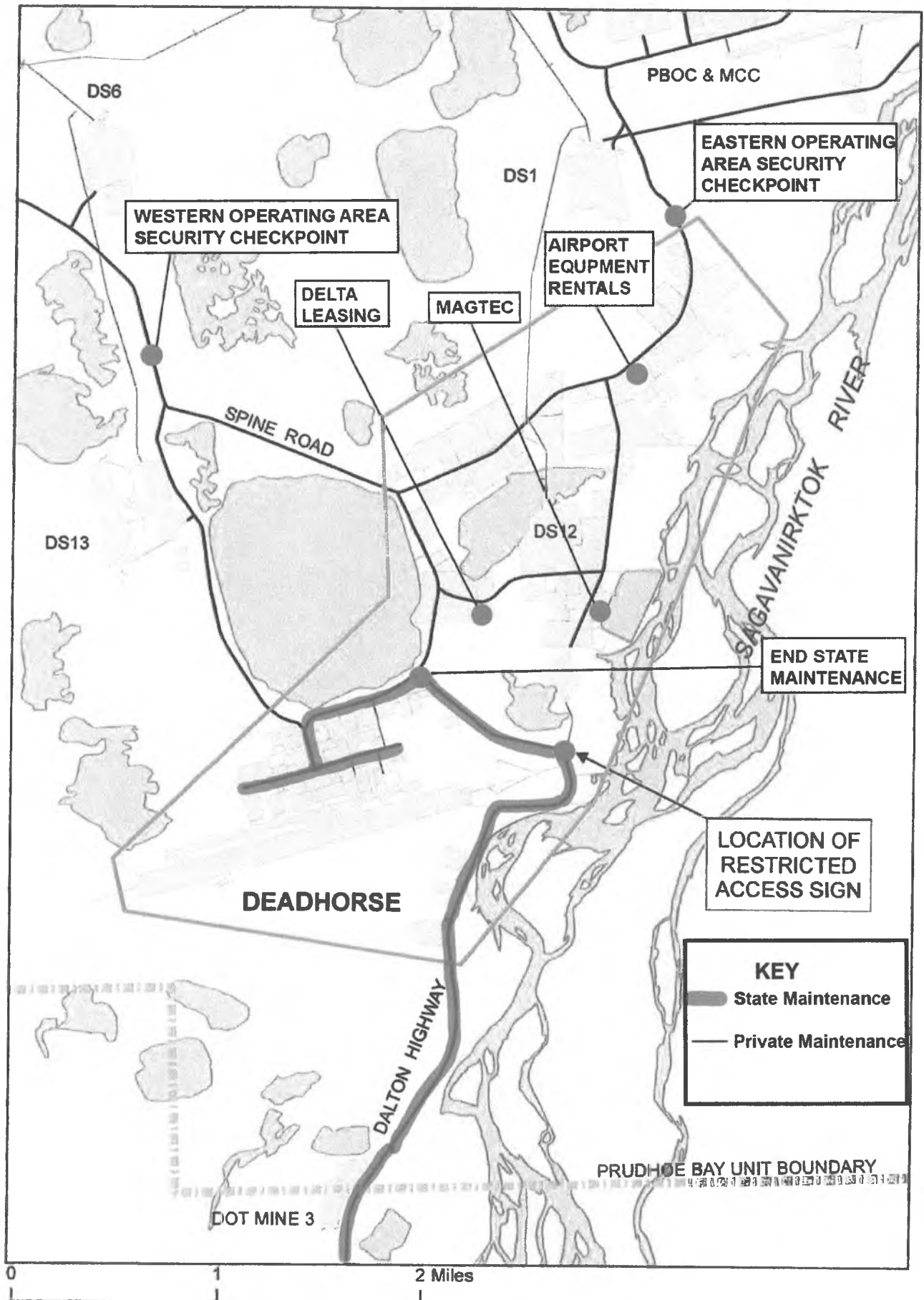
7 **Sec. 43.52.020. Rate of [PASSENGER] vehicle rental tax.** The rate of the
8 tax levied in AS 43.52.010 is

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).





Randal G. Buckendorf

Managing Counsel
Alaska Region



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

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

February 14, 2014

voice: 907 564 5289

fax: 907 564 4031

Randal.buckendorf@bp.com

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

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

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

Dear Commissioner Rodell:

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

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

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

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

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

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

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

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

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

See Attachment 2.

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

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

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

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

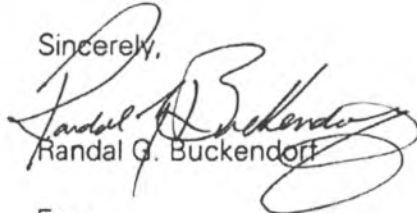
Commissioner Angela Rodell
February 14, 2014
Page 4

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

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

Thank you in advance.

Sincerely,



Randal G. Buckendorf

Encs.

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

Hello Larry,

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

Thank you most kindly,
Lacy

Lacy Wilcox

*Special Assistant
Department of Revenue
907.465.2301*

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

Hi Lacy

This is follow-up to our phone conversation today.

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

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

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

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

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

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

Thanks!

Larry Semmens

Chief of Staff to Senator Micciche
145 Main St. Loop #226
Kenai, AK 99611
907-283-7996

Hello Larry,

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

Thank you most kindly,
Lacy

Lacy Wilcox

*Special Assistant
Department of Revenue
907.465.2301*

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

Hi Lacy

This is follow-up to our phone conversation today.

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

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

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

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

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

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

Thanks!

Larry Semmens

Chief of Staff to Senator Micciche
145 Main St. Loop #226
Kenai, AK 99611
907-283-7996



THE STATE
of **ALASKA**

GOVERNOR SEAN PARNELL

Department of Revenue

COMMISSIONER'S OFFICE
Angela M. Rodell, Commissioner

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

December 3, 2013

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

Dear Mr. Semmens:

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

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

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

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

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

Mr. Larry Semmens
December 3, 2013
Page 2

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

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

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

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

Please let me know if I can further assist.

Sincerely,



Lacy Wilcox
Special Assistant/ PIO

Enclosures

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

Sean Parnell, Governor

□ State Office Building
PO Box 110420
Juneau, AK 99811-0420
907.466.2320




□ 550 W Seventh, Suite 500
Anchorage, AK 99501-3566
907.269.6620

www.tax.state.ak.us

August 31, 2010


Re: Alaska Vehicle Rental Tax Compliance

Dear 

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

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

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

Sincerely,

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

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

www.tax.state.ak.us website

June 13, 2005

IMPORTANT NOTICE TO CAR AND RECREATIONAL VEHICLE RENTAL AGENCIES

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

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

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

Total fees and costs charged include the following:

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

Total fees and costs charged do not include:

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

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

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

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

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

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

June 13, 2005
Vehicle Rental Tax
Page 2

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

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

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

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

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

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

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

www.tax.state.ak.us website

March 9, 2005

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

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

Total fees and costs charged include the following:

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

Total fees and costs charged do not include:

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

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

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

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

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

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

March 9, 2005
Vehicle Rental Tax
Page 2

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

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

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

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

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

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

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

www.tax.state.ak.us website

June 4, 2004

IMPORTANT NOTICE TO CAR AND RECREATIONAL VEHICLE RENTAL AGENCIES

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

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

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

Total fees and costs charged **include** the following:

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

Total fees and costs charged **do not include**:

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

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

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

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

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

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

June 3, 2004

Vehicle Rental Tax
Page 2

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

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

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

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

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

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

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

FRANK MURKOWSKI, GOVERNOR

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

www.tax.state.ak.us website

November 12, 2003

IMPORTANT NOTICE TO CAR AND RECREATIONAL VEHICLE RENTAL AGENCIES

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

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

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

Total fees and costs charged **include** the following:

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

Total fees and costs charged **do not include**:

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

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

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

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

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

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

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

November 12, 2003
Vehicle Rental Tax
Page 2

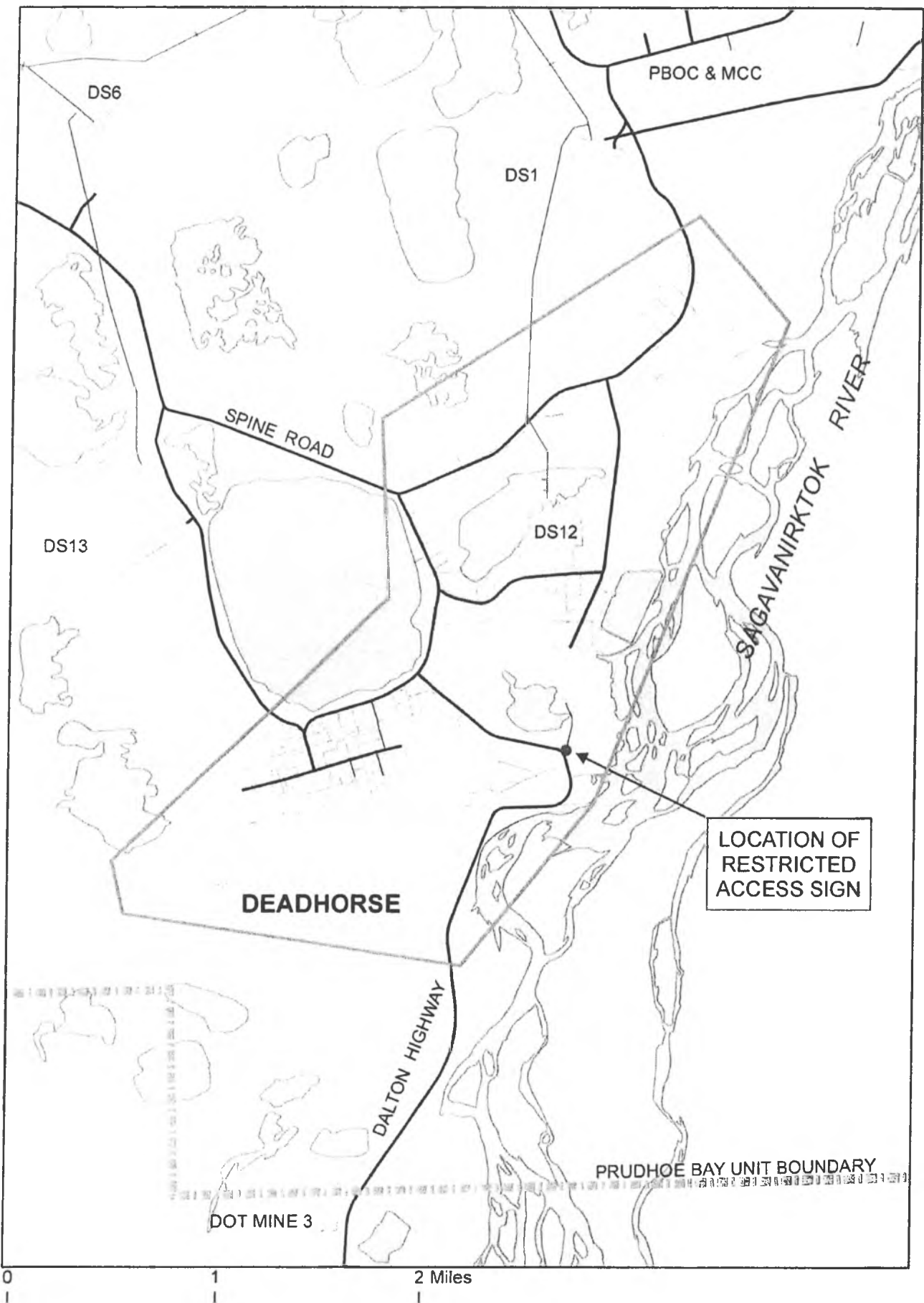
Enclosed with this notice are final versions of the Vehicle Rental Tax Quarterly Tax Return and Government Use Exemption Certificate. Also included are the instructions for the tax form. The forms and instructions will be available on the State of Alaska's web site on December 1, 2003. The Internet address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

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

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

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

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





December 27, 2013

Commissioner Angela Rodell
Alaska Department of Revenue
P.O. Box 110400
Juneau, AK 99811-0400

Re: Application of Tourist Vehicle Rental Tax to Delta Leasing, LLC

Commissioner Rodell:

We are writing to you in my capacity as president of Delta Leasing, LLC. An Alaskan-owned business with offices in Anchorage and Deadhorse, Delta Leasing has focused on leasing industrial equipment to construction contractors, mining companies, oilfield operators and associated industrial service providers. While much of Delta Leasing's income is earned by leasing equipment such as loaders, forklifts, man-lifts, generators, portable offices and other industrial equipment to customers working on the North Slope, the company also owns a fleet of vehicles, (primarily 4x4 pickup trucks) designed for hauling or towing light construction equipment, tools and safety gear. The vast majority of these pickup trucks are kept by our customers for periods of six to twelve months duration, or more.

These pickup trucks are the impetus for this letter since, as you may already know, the Alaska Department of Revenue has initiated criminal and civil investigations against Delta Leasing and several of our competitors for non-payment of rental car taxes alleged to be due under AS 43.52 in connection with the leasing of vehicles in their commercial equipment inventory. The purpose of this letter is to provide you with some background information and request that you review this matter. As explained below, we believe, following a careful review of this issue by our Alaska legal counsel, that the Department of Revenue has embarked on a misapplication of the Tourist Vehicle Rental Tax, and that Delta Leasing and many other Alaska businesses in our industry will sustain substantial damage and harm as a result of the Department of Revenue's interpretation of the statute.

I. Background: Alaska's Tourist Vehicle Rental Tax

In adopting the rental car tax statutes found in AS 43.52, the clearly stated goal of the Alaska Legislature was to generate revenue from tourists visiting Alaska and require that tourists bear a portion of the costs of maintaining Alaska's roads and tourism infrastructure. The sponsor statement for the legislation explained that *"there were 1.6 million visitors to the state in 2002"* and that *"many of these visitors rent passenger vehicles."* It described the reason for the tax as *"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."* Subsequent committee hearings on the bill focused on this stated purpose and made it clear that the bill was intended to create a tax that targeted short term car rentals to tourists. This intent is manifested in the enacted law itself, which provides in AS 43.52.080(c) that *"the legislature may appropriate the actual balance of the vehicle rental tax account for tourism development and marketing."* Throughout hundreds of pages of legislative history, a

continually repeated theme is that legislature's goal was to enact a tax that would be paid by out-of-state visitors renting cars on a short-term basis.

To prevent the tax from being applied to long-term rentals and leases -- transactions that would typically involve Alaska residents -- the legislature expressly exempted any vehicle lease or rental exceeding 90 consecutive days, (same vehicle, same client, with no interruptions in rental period), from being subject to the tax. Additionally, the legislature limited the scope of the tax to passenger vehicles driven on a "highway or public-right-of-way," which excludes all of the privately maintained roads within the Prudhoe Bay / Deadhorse area. State maintenance ends at the northern-most terminus of the Dalton Highway, and all of the roads beyond that point are maintained by BP Exploration (Alaska), Inc. or other oilfield operators. Delta Leasing's office and rental yard in Prudhoe Bay is located beyond the end of the Dalton Highway and our North Slope customers operate our leased vehicles on privately constructed and maintained roads beyond the security checkpoints located just past our office and rental yard facility.

In the years that followed the original enactment of the tax statute in 2003, the legislature fine-tuned AS 43.52 to minimize its impact on Alaska businesses that were never intended as targets of this tax. To accomplish this, the legislature created exemptions for taxicabs, off-road vehicles, and rental trucks. This latter exemption is of particular importance to Delta Leasing, since a "rental truck" is defined as any motor vehicle with a gross vehicle weight rating over 8,500 pounds designed or used for transporting personal property. "Personal property," as defined by Alaska law, includes the equipment, tools, supplies and materials transported by Delta Leasing's vehicles, regardless of the fact that they are transported for commercial purposes. This exemption covers ¼ ton or 1 ton chassis 4x4 pickup trucks, which comprise most of the vehicles Delta Leasing offers for lease to our customers.

II. The Department's Interpretation and Enforcement of the Rental Car Tax

Following enactment of the Tourist Vehicle Rental Tax in 2003, the Department of Revenue communicated information about the tax to conventional rental car companies to give them fair warning of the need to collect the tax from their customers. Significantly, the Department did not contact Delta Leasing or our many competitors who offer light industrial vehicles to commercial operators to warn that their vehicle leasing activities would be subject to the rental car tax. Presumably, the Department did not provide similar notice to Delta Leasing and others because the Department, itself, did not perceive that the tax statute applied to these leases. If the Department had provided such notice, Delta Leasing and our multiple competitors would have had a fair opportunity to open a dialog with the Department about the propriety of enforcing the tax against their business activities and /or begin collecting the tax from customers.

Thereafter, the Department adopted a regulation -- 11 AAC 52.030 -- which states in part that "unless the lease or rental contract contains a written term exceeding 90 consecutive days, the lease or rental is subject to the tax" and that "the extension or renewal of a lease or rental, or a new or supplemental contract, may not be combined with previous contracts." This regulation directly

The legislature intended this tax to be a pass-through and did not intend the burdens to fall on the Alaska companies that offer short-term car rentals. The express provisions of AS 43.52 and the accompanying legislative history make it clear that rental companies were merely the intermediaries whose limited role was collecting and remitting a tax that was to ultimately be paid by rental customers.

conflicts with the plain text of the statute, which mandates that the tax only applies to the lease or rental of a passenger vehicle that does not exceed 90 consecutive days. The statute says nothing about renewals or extensions not being considered part of the original lease. The only requirement is that the lease or rental duration exceed 90 consecutive days. The statute does not differentiate between long term rentals that are the result of a contract with "a written term exceeding 90 consecutive days" and those that do not. In attempting to impose that distinction, the regulation subjects to potential taxation transactions that the legislature clearly intended to exempt.

Delta Leasing's first contact with the State regarding this tax came in the fall of 2010. The Department submitted a general inquiry via our website contact form asking about our operations and stating that our vehicles might be subject to the tax. We sent a return letter explaining that our business almost entirely involves long term vehicle leasing of vehicles to commercial and industrial customers, as opposed to short-term rentals to tourists and visitors. Our business also almost entirely involves leasing of vehicles in excess of 8,500 pounds to commercial and industrial customers operating on the North Slope of Alaska, where there are no publicly maintained roads or rights of way. The Department responded with a letter offering some non-specific and non-responsive guidance regarding the rental car tax, and requested a copy of a sample lease contract to review. Delta Leasing complied with the State's request and submitted several sample form lease contracts. The closing line in our transmittal to the State said, "Please feel free to contact me if you would like to discuss this matter further after you've reviewed the lease agreements." We have attached copies of this correspondence with the Department to this letter.

Delta Leasing heard nothing further from the Department on this matter, and given the legislative history of this tax, we assumed that the information and sample leases we provided sufficed to resolve any question the Department had about the application of the tax to our business. The Department never initiated any form of follow up contact, never initiated a tax audit, and never sent any further notice that it believed any taxes were due.

III. The Department's Pending Investigation of Delta Leasing

More than three years after these 2010 communications, on November 6th, 2013, Department agents, accompanied by armed police officers, went to Delta Leasing's Anchorage and Prudhoe Bay offices in a coordinated raid and seized numerous computers from our offices along with 70 bankers boxes of our business records and files pursuant to a criminal search warrant. To obtain this search warrant, a Department investigator alleged in an affidavit that Delta Leasing had violated AS 43.52 by offering to lease a heavy duty, ¾ ton work truck to an Alaska construction contractor without collecting the passenger vehicle excise tax. Apparently, the Department's employees believe that the Tourist Vehicle Rental Tax should be assessed against and collected from Alaska construction companies who lease trucks having a gross weight rating in excess of 8,500 pounds.

Unquestionably, subjecting such leases to taxation is not within either the intent or the express wording of the statute.

Since having almost the entirety of our business records seized by the Department's investigators, Delta Leasing has extended every effort to cooperate with this investigation. We have requested settlement discussions to review what taxes may be owed, and whether the rental car tax is even applicable to companies such as Delta Leasing. We have clearly communicated the willingness of Delta Leasing to pay any taxes that might actually be owed, even though we never collected those taxes from any of our customers and now would be unable to "pass through" the tax to customers, as was the legislature's intent.



It has been and remains our good faith belief that Delta Leasing, as well as the multiple other Alaskan companies offering industrial vehicle leases to commercial operators, are not obligated to collect the tourism focused rental car excise tax from our commercial customers. Our belief and position are guided by the following factors:

1. AS 43.52's stated purpose and intent was to tax tourists visiting Alaska, not in-state industrial vehicle leases.
2. Since AS 43 52 defines a passenger vehicle as a vehicle "driven or moved on a highway or other public right-of-way in the State," vehicles leased on the North Slope are not subject to the rental car tax.
3. The rental car tax applies only when a lease or rental is 90 days or less, without regard to whether the vehicle in question is kept by a customer on a renewing lease, or lease extension of the same vehicle to same customer with no interruption.
4. AS.43.52 specifically exempts "rental trucks" with a gross vehicle weight rating over 8,500 pounds, which excludes ¾ ton or larger trucks that are designed or used to transport personal property.

Preliminary conversations with our core customers have confirmed that they are not being charged the Tourist Vehicle Rental Tax by competitors who also lease vehicles for commercial and industrial use. We are now faced with an impossible dilemma of whether to start collecting a tax from our customers when a tax may not be due. If Delta Leasing begins collecting the rental car tax in wholesale fashion at this time, we will have an immediate competitive disadvantage in an industry where there are over a dozen other similarly situated Alaska businesses like ours that are not (to the best of my knowledge) collecting this tax from their customers.

With 26 full-time employees, we are a relatively small company. If the Department elects to pursue and clarify these significant legal issues in a criminal case against our company:

- Delta Leasing will not be able to submit bids for new customers and new work;
- Relationships with our existing customers will be severely damaged;
- We will be unable to retain key employees and technicians, and;
- Delta Leasing will be unable to obtain equipment financing which is critical for the company's survival in the highly competitive equipment leasing business

We believe that, at a minimum, the approach used by the Department when it made the determination that vehicle rental tax was not applicable to motorcycles should apply here. In 2009 and 2010, when the Department determined, years after it had been adopted, that the vehicle rental tax applied to motorcycles, the Department properly applied its interpretation only *prospectively*, and it did not seek to impose punitive and destructive claims for back taxes, interest, and penalties in the companies that had, very much like Delta Leasing, unknowingly failed to collect and pay the tax. The Department did so because it recognized that applying its new interpretation of the vehicle rental tax retroactively would, in addition to being legally questionable, be so punitive that it would drive many small Alaskan companies out of business. The same considerations and realistic view of the law and the history of this tax that was applied to the companies renting motorcycles should be accorded companies like Delta Leasing who engage in offering industrial vehicle leasing to commercial entities.



In summary, pursuing a criminal prosecution against our company based on an incorrect interpretation and application of the vehicle rental tax could drive Delta Leasing out of business, and put dozens of Alaskans out of work. In order to avoid that possibility, I respectfully request an opportunity to discuss this matter with you in hopes of developing a consensus approach that Delta Leasing, and our multiple competitors, can utilize to address any potential liability for past-due uncollected taxes, and develop an industry-wide standard for application of the rental car tax that can be applied to our future leasing activities.

Our company is owned and operated by long-term Alaskans with impeccable personal and professional reputations, and by a respected Alaska village Native corporation. Whatever the resolution of the underlying tax issue ultimately may be, it did not and does not require a criminal investigation to secure our compliance with the law. We will do whatever is required to be good corporate citizens, but we also believe that the Department has a responsibility to act fairly and reasonably, and not with an undue heavy hand, in resolving what undeniably is a bona fide legal issue and unclear area of the law. Given our commitment to Alaska, we will plan to file a tax return for the past three years and pay the tax under protest that we believe may be due, irrespective of the legislative intent for this statute. It is our sincere desire to work with the administrative process of your department to resolve our good faith dispute; however, the actions of the State may ultimately leave us with no choice other than to seek judicial review of this statute and the State's actions.

I will be working from our Prudhoe Bay office most of the early part of January, but would be available to meet with you at your convenience any time from January 20th on. Thank you for your consideration of this important matter.

Sincerely,

Rudi von Imhof
President
Delta Leasing, I.I.C

Enclosures:

- Delta Leasing 10/5/10 Letter to State of Alaska
- State of Alaska 10/14/10 Letter to Delta Leasing
- Delta Leasing 10/29/10 Fax transmittal coversheet to State of Alaska



Alaska Department of Revenue
P.O. Box 110400
Juneau, AK 99811-0400

December 27, 2013

Re: Payment of AS.43.52 Vehicle Rental Tax Under Protest

Attached you will find payment of vehicle rental tax quarterly tax returns for Delta Leasing. The tax returns cover the period reflecting 4th Qtr., 2010 through 3rd Qtr., 2013.

The filing of these returns and payment of this tax is under protest. AS.43.52 was not intended to tax vehicles rented for industrial purposes by Alaska Companies. These returns are for rented vehicles less than 8,500 GVWR leased to customers operated on publically maintained road systems for a duration of less than 90 days. None of this tax was collected from our customers.

Sincerely,

Rudi von Imhof
President
Delta Leasing, LLC

13 pages redacted



October 29, 2010

Mr. Johnathan Page
Tax Auditor III
550 W. Seventh, Suite # 500
Anchorage, AK 99505-3566

Sent Via Fax: 269-664-- 20 pages

Re: Alaska Vehicle Rental Tax Compliance

Mr. Page,

Thank You for your recent letter with your input and interpretation of the tax law. Per your request, I have attached several representative lease / rental agreements with this letter for your review

Please feel free to contact me if you would like to discuss this matter further after you've reviewed the lease agreements.

Sincerely,

Rudi von Imhof

STATE OF ALASKA

DEPARTMENT OF REVENUE

Tax Division

Sean Parnell, Governor

State Office Building
PO Box 110420
Juneau, AK 99811-0420
907 465 2320

550 W Seventh Suite 500
Anchorage, AK 99501-3566
907 269 6620

www.tax.state.ak.us

October 14, 2010

Certified 7007 2680 0000 4635 8291

Delta Leasing, LLC
Attn: Rudi von Imhof
4040 B Street, Suite 200
Anchorage, AK 99503

Re: Alaska Vehicle Rental Tax Compliance

Mr. von Imhof:

We have received your response letter dated October 5, 2010. In your letter, you listed three reasons why Delta Leasing is not subject to the tax. I've included your points (in italics) below, my interpretation of the tax law follows.

1. *"Our Company does not lease vehicles to consumers, we lease to business and / or commercial entities only."* AS 43.52 makes no distinction between consumer, business or commercial renters.
2. *"Our operations are almost exclusively located on the North Slope, (Prudhoe Bay), Alaska. We do pay the State Taxes in the form of Oil & Gas Property Taxes assessed on our vehicles and equipment. Only 6 % of the income we receive from vehicle and equipment leasing is derived from equipment not located on the North Slope of Alaska."* AS 43.52 contains no provision for rental exemption by Alaska region. The Vehicle Rental Tax is mutually exclusive from other State of Alaska taxes.

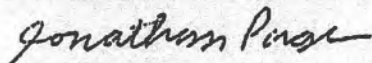
Delta Leasing, LLC
Page 2

3. *"It is our policy for leases have a minimum duration of four to six months. More often we require twelve months or longer minimum lease duration on our leases. Many times, we offer flexible options for our clients to extend their original lease on a month-to-month basis after the original lease term has expired."* 15 AAC 52.030. **Effect of extensions, renewals, or new or supplemental contracts.** In determining whether a lease or rental exceeds a period of 90 consecutive days, for purposes of imposing the tax in AS 43.52.010 and 43.52.030, (1) unless the lease or rental contract contains a written term exceeding 90 consecutive days, the lease or rental is subject to the tax; (2) the extension or renewal of a lease or rental, or a new or supplemental contract, may not be combined with previous contracts; and (3) a lease or rental contract that contains a term exceeding 90 consecutive days is subject to the tax if that lease or rental contract is closed or completed on or before the 90th day.

Please fax a copy of a recently closed pickup truck, van or SUV lease/rental agreement to the Tax Division so we can review the contract language.

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

Sincerely,



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

Cc. Collins Mount - Revenue Audit Supervisor

**** This is a draft version of the letter dated 10/5/10 sent to Department of Revenue. To the best of our knowledge, this letter is a true and correct representation of the final version of the letter that was sent. (Copy of the original letter was confiscated by Department of Revenue on 11/6/13).***

October 5, 2010

Mr. Johnathan Page
Tax Auditor III
550 W. Seventh, Suite # 500
Anchorage, AK 99505-3566

Re: Alaska Vehicle Rental Tax Compliance

Mr. Page,

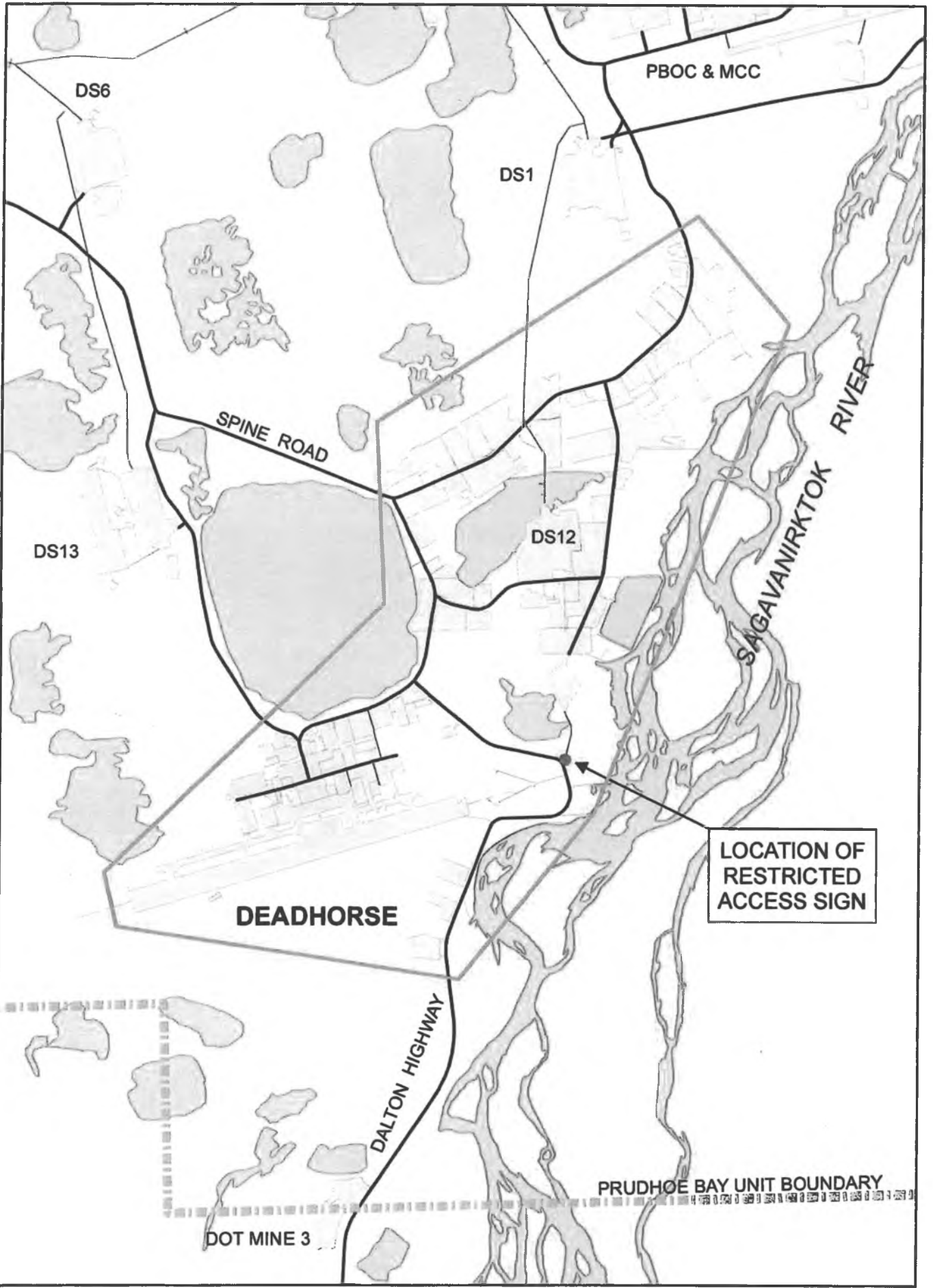
I am responding to your recent request for clarification on Delta Leasing's responsibility to pay quarterly tax returns for the 10% Vehicle Rental Tax Income. It is my understanding that Delta Leasing is not subject to this tax for the following reasons:

1. Our Company does not lease vehicles to consumers, we lease to businesses and / or commercial entities only.
2. Our operations are almost exclusively located on the North Slope, (Prudhoe Bay), Alaska. We do pay the State Taxes in the form of Oil & Gas Property Taxes assessed on our vehicles and equipment. Only 6% of the income we receive from vehicle and equipment leasing is derived from equipment not located on the North Slope of Alaska.
3. It is our policy for leases have a minimum duration of four to six months. More often we require twelve months or longer minimum lease duration on our leases. Many times, we offer flexible options for our clients to extend their original lease on a month-to-month basis after the original lease term has expired.

Please review the above and let me know if I do not understand the intent of the tax stipulations correctly. If you have any questions, feel free to call me at 907-771-1305.

Sincerely,

Rudi von Imhof



DS6

PBOC & MCC

DS1

SPINE ROAD

DS13

DS12

SAGAVANIRKTOK RIVER

LOCATION OF RESTRICTED ACCESS SIGN

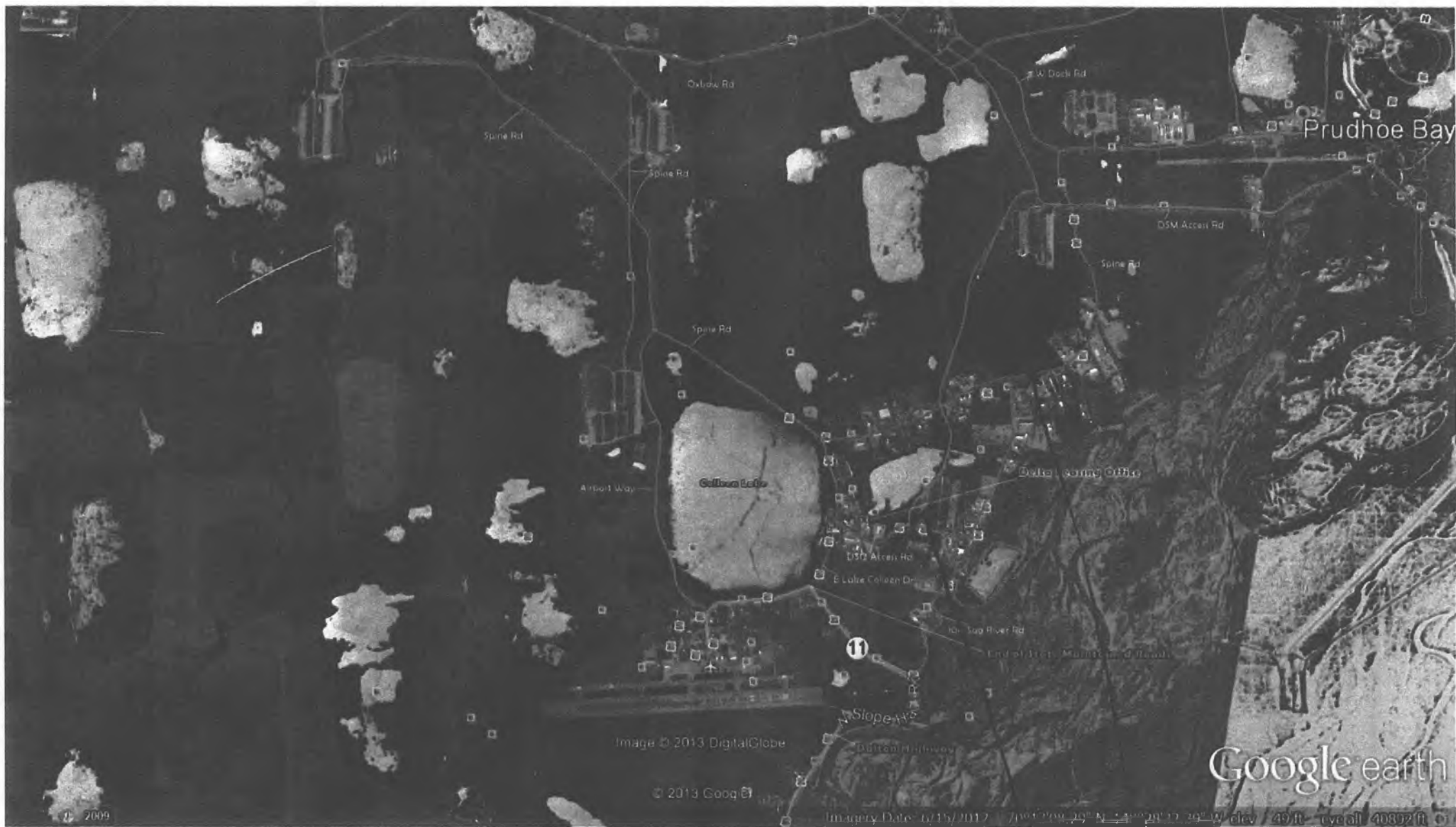
DEADHORSE

DALTON HIGHWAY

PRUDHOE BAY UNIT BOUNDARY

DOT MINE 3





MASTEC

ARZ

ALASKA STATE LEGISLATURE

Session:

State Capitol, Room 115
Juneau, Alaska 99801-2186
Phone (907) 465-2327
Fax: (907) 465-5241
Toll Free: (800)336-7383



Interim:

1292 Sadler Way
Fairbanks, Alaska 99701
Phone: (907) 456-8161
Fax: (907) 456-8163
Toll Free: (800)336-7383

Senator Click Bishop

CS Senate Bill 178 Sectional Analysis

- (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) Adds an immediate effective date.

ALASKA STATE LEGISLATURE

Session:

State Capitol, Room 115
Juneau, Alaska 99801-2186
Phone (907) 465-2327
Fax: (907) 465-5241
Toll Free: (800)336-7383



Interim:

1292 Sadler Way
Fairbanks, Alaska 99701
Phone: (907) 456-8161
Fax: (907) 456-8163
Toll Free: (800)336-7383

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.

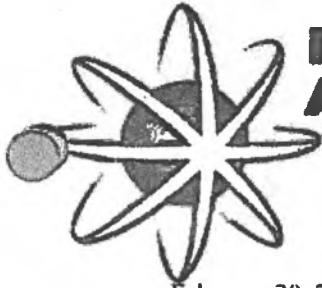
For the first nine years of the rental vehicle tax, the Department of Revenue did not apply the tax to Alaskan companies engaged in the long-term leasing of heavy vehicles to other Alaskan businesses. In 2010, however, DOR began an attempt to collect the rental vehicle tax from Alaskan businesses who 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.



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, 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 Senate Bill 178. If you have any questions regarding my support, please contact me at 907-335-6305.

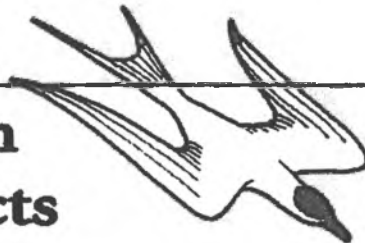
Best regards.

Sincerely yours,

Ryan A. Peterkin
President, MagTec Alaska, LLC

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 Box 2656 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", written in a cursive style.

Elton McGahan
Managing Member

Cc: Senator Bishop



February 21, 2014

The Honorable Senator Dennis Egan
Senate Transportation Committee
Juneau, Alaska

Senator.Dennis.Egan@akleg.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.

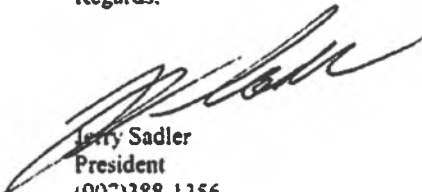
Coincidentally, we also owned the National-Alamo rental car concession for Fairbanks until May of 2013 so we are very familiar with and have paid the rental car tax since its inception and continue to do so today for our small remaining truck rental business.

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 M. 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 "Jeff Gries", written in a cursive style.

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@alaska.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 HB914 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-Wasilla Hwy • Palmer, Alaska 99615 Tel (907) 746-3144 Fax (907) 746-5557

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.

Ketchikan, AK
5216 Borch Street
PO Box 8158
Ketchikan, AK 99901
Office: 907-225-6069
Fax: 907-225-6118

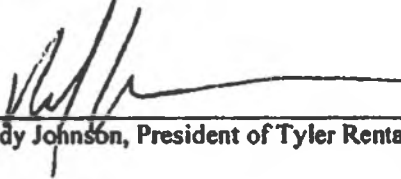
Craig, AK
400 Port Bagial Blvd
PO Box 1172
Craig, AK 99921
Office: 907-826-2924
Fax: 907-826-2956

Juneau, AK
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

A handwritten signature in black ink, appearing to read 'Randy Johnson', written over a horizontal line.

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

Repsol E&P USA Inc.

3800 Centaurport Dr., Suite 400
Anchorage, AK 99503

Tel. 907/375-6900

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". The signature is written in a cursive, flowing style.

KARA MORIARTY
President/CEO

Cc: Representative Steve Thompson