

**SB**

**66**

<TARGET><BILL>SB 66</BILL><SUBJECT>SB  
66</SUBJECT><COMM>STRA29</COMM></TARGET>

---



**SENATE COMMITTEE REPORT  
First Committee of Referral**

DATE: 3/4/15

FURTHER: Finance

Date of 5-Day Notice: 3/19/15  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4/9/15

Transportation Committee considered SENATE BILL NO. 66

SB 66 PASSENGER & REC. VEHICLE RENTAL TAX

"An Act relating to the passenger and recreational vehicle rental taxes; and providing for an effective date."

and recommends:

- be replaced with CS SB 66 (TRA) [ Same Title [ ] New Title
- [ ] adopt previous CS \_\_\_\_\_ (\_\_\_\_\_) [ ] Same Title [ ] New Title
- [ ] attached amendment(s)
- [ ] adopt \_\_\_\_\_ Letter of Intent
- [ ] further referral to \_\_\_\_\_ Committee

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

NEW FISCAL NOTE(S)				
Dept.	Fiscal	Indet.	Zero	FN #
<u>REV</u>		<u>X</u>		<u>1</u>

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
<u>Cliff Bishop</u>	BISHOP			<input checked="" type="checkbox"/>	
<u>[Signature]</u>	EGAN	<input checked="" type="checkbox"/>			
<u>[Signature]</u>	DUNLEAVY			<input checked="" type="checkbox"/>	
<u>[Signature]</u>	STAMATI			<input checked="" type="checkbox"/>	
CHAIR: <u>[Signature]</u>	MICCICHE	<input checked="" type="checkbox"/>			



# ALASKA STATE LEGISLATURE

Session  
State Capitol Building  
Juneau, Alaska 99801-1182  
Phone: (907) 465-4843  
Fax: (907) 465-3871




District  
716 West 4th Avenue  
Anchorage, Alaska 99501-2133  
Phone: (907) 269-0181  
Fax: (907) 269-0184

SENATOR CATHY GIESSEL

## MEMORANDUM

**DATE:** March 6, 2015

**TO:** Senator Peter Micciche, Chair, Senate Transportation Committee

**FROM:** Senator Cathy Giessel 

**RE:** Request for Hearing, SB 66 Passenger & Recreational Vehicle Rental Tax

---

I respectfully request that **Senate Bill # 66 "Passenger & Recreational Vehicle Rental Tax"** be heard in the Senate Transportation Committee at your earliest convenience.

SB 66 seeks to exempt construction, maintenance, and other industry vehicles from a tax on rental cars that was imposed in 2003. The original intent of this legislation was to tax tourists and other motorists who were renting cars and driving on Alaska's roads.

Nearly a decade later the Department of Revenue began interpreting the law to retroactively apply the tax to companies for rentals it was never intended to affect, largely in the oil & gas, mining, and timber industries.

This bill seeks to further clarify the legislation passed in 2003 so these companies and their rentals will be excluded from further taxation not in accordance with the original intent of the legislation.

Attached you will find:

1. SB 66 Version E
2. Sponsor Statement
3. Supporting Documents
4. Fiscal Notes & Sectional Analysis forthcoming

Please contact Forrest Wolfe, 465-8180, in my office if you need any further information.



# ALASKA STATE LEGISLATURE

716 W 4<sup>th</sup> Avenue  
Anchorage AK 99501-2133  
907-269-0181  
Fax: 907-269-0184



State Capitol  
Juneau AK 99801-1182  
907-465-4843  
Fax: 907-465-3871  
800-892-4843

North to the Future

**Senator Cathy Giessel**  
Senate District N

## **SB 66 Passenger and Recreational Vehicle Rental Tax Sponsor Statement**

In 2003 the legislature passed a rental vehicle tax designed to raise revenue from tourists who visit the state and drive on Alaska's roads.

Nearly a decade later, the Department of Revenue began attempting to retroactively apply this tax to rentals of industry vehicles, for which the tax was never intended. These rentals or leases are most often agreements between Alaskan businesses that are not involved in the tourism industry, and often times are not driven or used primarily on Alaskan roads, if at all.

SB 66 seeks to further clarify the rental vehicle tax in accordance with the intent of the original legislation, exempting businesses that operate in construction, resource, and other non-tourism based industries from an overzealous interpretation of the current law.

Please join me in support of this needed change to our passenger vehicle rental tax law.

[Senator Cathy Giessel@akleg.gov](mailto:Senator_Cathy_Giessel@akleg.gov)



29-LS0470F  
Nauman  
4/2/15

**CS FOR SENATE BILL NO. 66( )**

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-NINTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATOR GIESSEL

**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.  
6           Except as provided in (d) of this section, there [THERE] is imposed an excise tax  
7           on the charge for the lease or rental of a passenger or recreational vehicle driven or  
8           moved primarily on a highway or other public right-of-way maintained by the  
9           [IN THIS] state [IF THE LEASE OR RENTAL OF THE PASSENGER VEHICLE  
10           DOES NOT EXCEED A PERIOD OF 90 CONSECUTIVE DAYS].

11 \* Sec. 2. AS 43.52.010 is amended by adding new subsections to read:

12           (b) A lease or rental is exempt from the tax imposed under (a) of this section if  
13           (1) the initial lease or rental contract is for a period of  
14           (A) 28 days or more for a passenger vehicle;



- 1 (B) 90 days or more for a recreational vehicle;  
2 (2) the initial lease or rental contract is in writing; and  
3 (3) the lease or rental contract is not terminated before the expiration  
4 of 28 days for a passenger vehicle or 90 days for a recreational vehicle.

5 (c) An extension of a lease or rental that is exempt under (b) of this section is  
6 exempt if the extension is agreed upon before the expiration of the initial 28-day lease  
7 or rental period for a passenger vehicle or the initial 90-day lease or rental period for a  
8 recreational vehicle and there is no break between the initial period and the period of  
9 the extension.

10 (d) The following passenger vehicles are exempt from tax under  
11 AS 43.52.020(1):

12 (1) a commercial motor vehicle as that term is defined in  
13 AS 28.90.990;

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

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

20 (4) a taxicab;

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

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

27 (7) a motorcycle or a motor-driven cycle as those terms are defined in  
28 AS 28.90.990 and a sidecar for a motorcycle or motor-driven cycle;

29 (8) a construction vehicle;

30 (9) a vehicle used exclusively for hauling or delivering cargo;

31 (10) an all-terrain vehicle;



1 (11) a trailer designed to carry property.

2 \* **Sec. 3.** AS 43.52.020 is amended to read:

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

5 (1) 10 percent of the total fees and costs charged for the lease or rental  
6 of a [THE] passenger vehicle;

7 (2) three percent of the total fees and costs charged for the lease or  
8 rental of a recreational vehicle.

9 \* **Sec. 4.** AS 43.52.099(2) is amended to read:

10 (2) "passenger vehicle" means a motor vehicle as defined in  
11 AS 28.90.990, including a car, sport utility vehicle, van, or truck, that is licensed  
12 to operate [DRIVEN OR MOVED ON A HIGHWAY OR OTHER PUBLIC RIGHT-  
13 OF-WAY] in the state [, BUT DOES NOT INCLUDE

14 (A) A COMMERCIAL MOTOR VEHICLE AS THAT TERM  
15 IS DEFINED IN AS 28.90.990;

16 (B) EMERGENCY OR FIRE EQUIPMENT THAT IS  
17 NECESSARY TO THE PRESERVATION OF LIFE OR PROPERTY;

18 (C) A FARM VEHICLE THAT IS CONTROLLED AND  
19 OPERATED BY A FARMER, USED TO TRANSPORT AGRICULTURAL  
20 PRODUCTS, FARM MACHINERY, OR FARM SUPPLIES TO OR FROM  
21 THAT FARMER'S FARM, NOT USED IN THE OPERATIONS OF A  
22 COMMON OR CONTRACT MOTOR CARRIER, AND USED WITHIN 150  
23 MILES OF THE FARMER'S FARM;

24 (D) A RECREATIONAL VEHICLE;

25 (E) A TAXICAB;

26 (F) A RENTAL TRUCK; IN THIS SUBPARAGRAPH,  
27 "RENTAL TRUCK" MEANS A MOTOR VEHICLE WITH A GROSS  
28 VEHICLE WEIGHT RATING GREATER THAN 8,500 POUNDS THAT IS  
29 DESIGNED, USED, OR MAINTAINED PRIMARILY FOR THE  
30 TRANSPORTATION OF PERSONAL PROPERTY;

31 (G) A VEHICLE PROVIDED BY AN AUTOMOBILE



1 DEALER TO A CUSTOMER AS REPLACEMENT TRANSPORTATION  
2 DURING WARRANTY, RECALL, OR SERVICE CONTRACT REPAIRS IF  
3 THE DEALER DOES NOT RECEIVE COMPENSATION FROM THE  
4 CUSTOMER; OR

5 (H) A MOTORCYCLE OR A MOTOR-DRIVEN CYCLE AS  
6 THOSE TERMS ARE DEFINED IN AS 28.90.990];

7 \* **Sec. 5.** AS 43.52.099 is amended by adding a new paragraph to read:

8 (6) "personal property" has the meaning given in AS 01.10.060;

9 \* **Sec. 6.** AS 43.52.030 and 43.52.040 are repealed.

10 \* **Sec. 7.** This Act takes effect immediately under AS 01.10.070(c).



# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

April 9, 2015

**SUBJECT:** Statutory Revisions (SB 66; Work Order No. 29-LS0470\F)

**TO:** Senator Cathy Giessel  
Attn: Forrest Wolfe

**FROM:** Emily Nauman   
Legislative Counsel

You asked for a brief memo summarizing the changes made by this office in the above-mentioned bill. The revisions we discussed are structural and do not affect the law or the manner in which it is implemented. The changes are as follows.

1. AS 43.52.010 (previously, levy of passenger vehicle rental tax) and AS 43.52.030 (levy of recreational vehicle rental tax) have been collapsed together into AS 43.52.010. AS 43.52.030 is repealed by sec. 6 of the bill because the contents of that section have been moved to AS 43.52.010.

2. AS 43.52.020 (previously, rate of passenger vehicle rental tax) and AS 43.52.040 (rate of recreational vehicle rental tax) have been collapsed together into AS 43.52.020. AS 43.52.040 is repealed by sec. 6 of the bill because the contents of that section have been moved to AS 43.52.020.

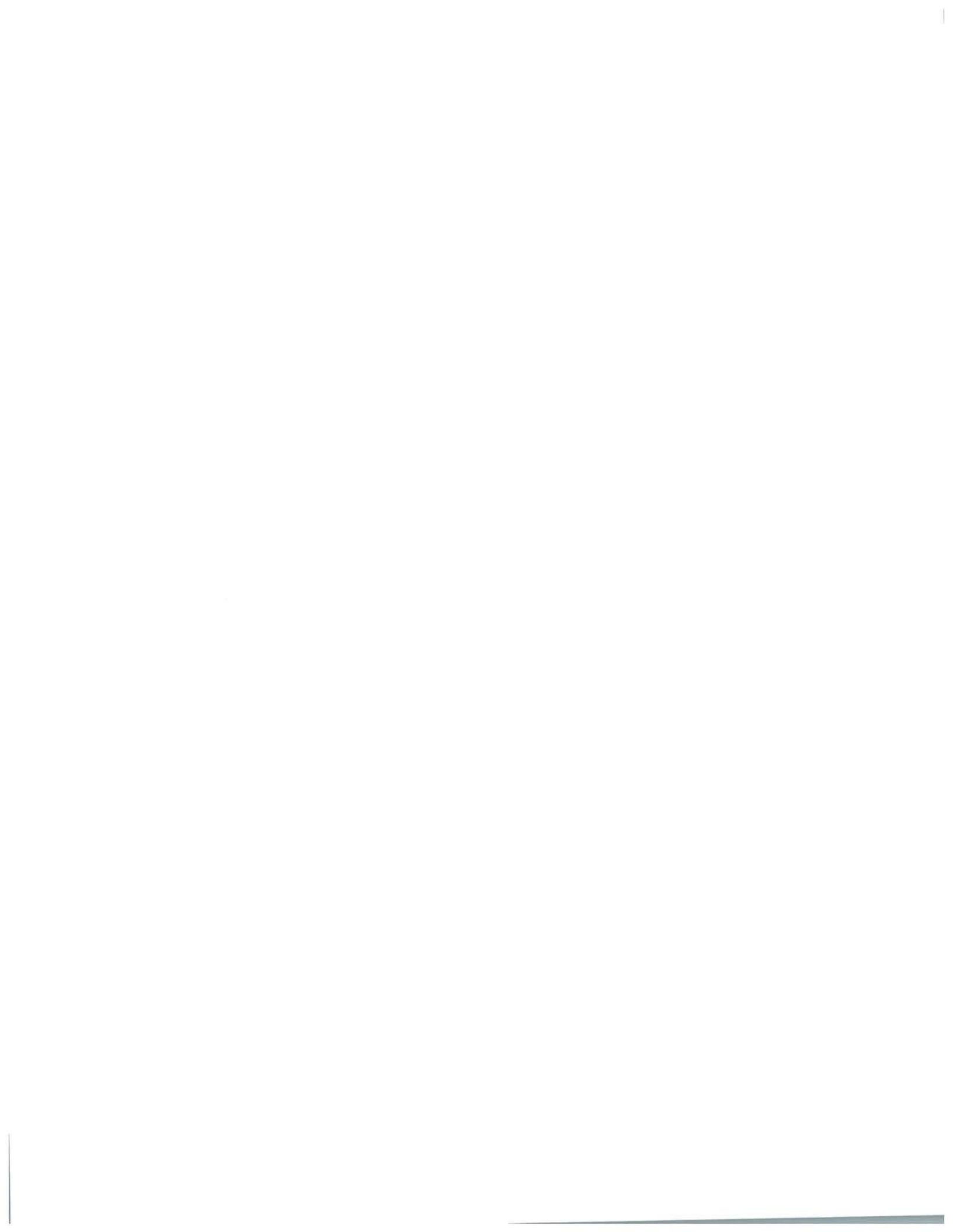
3. The exceptions to the definition of passenger vehicle, those vehicles not subject to the rental tax, have been moved out of the definitions and into AS 43.52.010(c). This change conforms to the *2015 Manual of Legislative Drafting* which directs that substantive provisions of the law must not be hidden in definitions.<sup>1</sup>

If I may be of further assistance, please advise.

ELN:dla  
15-284.dla

---

<sup>1</sup> p. 51.



# ALASKA STATE LEGISLATURE

716 W 4<sup>th</sup> Avenue  
Anchorage AK 99501-2133  
907-269-0181  
Fax: 907-269-0184



State Capitol  
Juneau AK 99801-1182  
907-465-4843  
Fax: 907-465-3871  
800-892-4843

North to the Future

**Senator Cathy Giessel**  
Senate District N

## **SB 66 Passenger and Rec. Vehicle Rental Tax Explanation of Changes for CS Version F**

### **Section 5**

Section 5 has been added to establish that "personal property" has the meaning given in AS 01.10.060. This definition of "personal property" reads: (9) "personal property" includes money, goods, chattels, things in action, and evidences of debt;.

This was done because the sponsor wanted it to be very clear which type of property would be excluded from this tax under the "rental truck" section, so that Department of Revenue would not interpret it differently in the future.

This is the only substantive change made to the CS; the rest of the changes were made at the request of Legislative Legal to align the statute with their directions and policies. These changes will be explained further by the drafter.

[Senator\\_Cathy\\_Giessel@akleg.gov](mailto:Senator_Cathy_Giessel@akleg.gov)



29-LS0470\I  
Nauman  
3/25/15

**CS FOR SENATE BILL NO. 66( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-NINTH LEGISLATURE - FIRST SESSION**

**BY**

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

**Sponsor(s): SENATOR GIESSEL**

**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 driven or moved primarily on a highway or other public  
8 right-of-way maintained by the [IN THIS] state [IF THE LEASE OR RENTAL OF  
9 THE PASSENGER VEHICLE DOES NOT EXCEED A PERIOD OF 90  
10 CONSECUTIVE DAYS].

11 \* **Sec. 2.** AS 43.52.010 is amended by adding new subsections to read:

12 (b) A lease or rental is exempt from the tax imposed under (a) of this section if  
13 (1) the initial lease or rental contract is for a period of  
14 (A) 28 days or more for a passenger vehicle;



- 1 (B) 90 days or more for a recreational vehicle;  
2 (2) the initial lease or rental contract is in writing; and  
3 (3) the lease or rental contract is not terminated before the expiration  
4 of 28 days for a passenger vehicle or 90 days for a recreational vehicle.

5 (c) An extension of a lease or rental that is exempt under (b) of this section is  
6 exempt if the extension is agreed upon before the expiration of the initial 28-day lease  
7 or rental period for a passenger vehicle or the initial 90-day lease or rental period for a  
8 recreational vehicle and there is no break between the initial period and the period of  
9 the extension.

10 \* **Sec. 3.** AS 43.52.020 is amended to read:

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

13 (1) 10 percent of the total fees and costs charged for the lease or rental  
14 of a [THE] passenger vehicle;

15 (2) three percent of the total fees and costs charged for the lease or  
16 rental of a recreational vehicle.

17 \* **Sec. 4.** AS 43.52.099(2) is amended to read:

18 (2) "passenger vehicle" means a motor vehicle as defined in  
19 AS 28.90.990, including a car, sport utility vehicle, van, or truck, that is licensed  
20 to operate [DRIVEN OR MOVED ON A HIGHWAY OR OTHER PUBLIC RIGHT-  
21 OF-WAY] in the state, but does not include

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

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

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

30 (D) a recreational vehicle;

31 (E) a taxicab;



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

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

8 (H) a motorcycle or a motor-driven cycle as those terms are  
9 defined in AS 28.90.990 and a sidecar for a motorcycle or motor-driven  
10 cycle;

11 (I) a construction vehicle;

12 (J) a vehicle used exclusively for hauling or delivering  
13 cargo;

14 (K) an all-terrain vehicle;

15 (L) a trailer designed to carry property;

16 \* Sec. 5. AS 43.52.030 and 43.52.040 are repealed.

17 \* Sec. 6. This Act takes effect immediately under AS 01.10.070(c).



# Fiscal Note

State of Alaska  
2015 Legislative Session

Bill Version: SB 66  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB066-DOR-TAX-3-23-15  
Title: PASSENGER & REC. VEHICLE RENTAL TAX  
Sponsor: GIESSEL  
Requester: Senate Transportation

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

**Expenditures/Revenues**

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

	FY2016 Appropriation Requested	Included in Governor's FY2016 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	
<b>OPERATING EXPENDITURES</b>								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None								
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

<b>Change in Revenues</b>	***							
---------------------------	-----	--	--	--	--	--	--	--

**Estimated SUPPLEMENTAL (FY2015) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2016) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? 12/31/15

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

Initial version.

Prepared By:	Brandon Spanos, Deputy Director, Tax Division	Phone:	(907)269-6736
Division:	Tax	Date:	03/20/2015 04:00 PM
Approved By:	Jerry Burnett, Deputy Commissioner	Date:	03/20/2015
Agency:	Department of Revenue		



## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2015 LEGISLATIVE SESSION

BILL NO. SB 66

### Analysis

**Bill Language:**

The primary effect of this bill is in the change to the definition of "passenger vehicle" to exclude additional types of vehicles from the vehicle rental tax.

The definition of passenger vehicle would be altered to exclude vehicles with a Gross Vehicle Weight Rating (GVWR) greater than 6,500 pounds. Currently, the statute defines a passenger vehicle as one with a GVWR less than 8,500 pounds used to transport personal property. This change stands to exclude some pick-up trucks and large SUVs from the tax; although which vehicles are affected is difficult to determine.

The use of the vehicle would become a factor in determining the classification of the vehicle subject to tax. The definition of passenger vehicle would require that the vehicle be licensed to operate and be driven or moved primarily on highways or other public right-of-ways. Primary usage or purpose of the rental would thus need to be assessed to determine whether the rental is subject to tax.

Usage and purpose of the rental would be further called into question for additional exemptions of construction vehicles. It is unclear whether the exemption for construction vehicles would be based on the specific renter or the common use of the vehicle. Additionally, the definition is amended to exclude a vehicle used exclusively for hauling or delivering cargo. Again, the use and purpose of the rental must be called into question to determine applicability of the tax.

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 will be a reduction in vehicle rental tax collected as a result of these changes. It is difficult to estimate the revenue impact as a result of this legislation as DOR does not have detailed information from vehicle rental contracts which would allow DOR to currently determine how many rentals will meet the new exemption criteria. However, based on limited vehicle rental tax data from audits, DOR estimates that 10% to 15% of total vehicle rental contracts may meet the new criteria and, therefore, vehicle rental tax revenue is estimated to decrease by between \$800,000 and \$1,200,000 each year.

The current vehicle rental tax is deposited into a subaccount of the general fund which can be appropriated for tourism marketing. If the legislature intends to maintain current levels of funding for tourism marketing, a different revenue source would need to be identified to compensate for any loss of vehicle rental tax revenue as a result of this legislation.

**Expenditures:**

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

**Regulations:**

The department anticipates that it will need to adopt regulations to further clarify and interpret what vehicle rentals qualify for usage exemptions. Regulations should be effective by December 31, 2015.





March 12, 2015

The Honorable Cathy Giessel  
State Capitol, Room 427  
Juneau, AK 99801-1182

RE: Senate Bill 66 "An Act Relating to the Passenger and Recreational Vehicle Rental Taxes"

Dear Senator Giessel,

Thank you for the sponsorship of Senate Bill 66. This bill clarifies the intent of legislation originally passed in 2003 regarding vehicle rental taxes, and will serve to remove much uncertainty and greatly improve the business climate for leasing companies and their customers who lease construction and cargo vehicles for commercial and industrial purposes.

The legislative record for HB 271, the original bill passed by the 23<sup>rd</sup> Legislature in 2003 and subsequent amendments to the original legislation clearly show that the tax was intended to tax rental car and RV rentals to tourists visiting Alaska in order to compensate the state for wear and tear to its road system and transportation infrastructure. However, within the last year or so the Department of Revenue (DOR) has unilaterally reinterpreted this statute, without the process of public comment, as applying to virtually all rental vehicles, including pickup and flatbed trucks as well as cargo vans leased for commercial and industrial purposes. This new application is contrary to the intent of the original statute and to the operations of Alaska's existing commercial and industrial leasing businesses which have operated under it since its inception in 2003. The DOR's recent actions have cast a cloud of uncertainty over the commercial and industrial equipment leasing industry, and we ask the Legislature to clear this uncertainty with the passage of Senate Bill 66.

Senate Bill 66 helps to define the commercial and industrial use of vehicles for commercial leasing companies, business, construction and other industries. Changing the GVW to 6500 lbs. provides for the inclusion of smaller pick-ups (such as a F150 or ½-ton size), preferable when applicable use will allow for a 2-wheel drive vehicle or a truck that requires less fuel.

The ability to lease construction and cargo vehicles on a short-term basis provides much needed flexibility for customers who must deal with the constraints of the short construction season in Alaska. Without it many commercial and industrial users of leased construction and cargo vehicles will seriously consider bypassing the leasing option and opting for the direct purchase of vehicles to avoid payment of an additional 10 percent vehicle rental tax. Not only will Alaska's industrial and commercial leasing businesses be harmed by loss of revenue, but unfortunately many of these fleet purchases will be consummated outside the state of Alaska, bypassing even the local auto dealers.



This is very important legislation, not just for our vehicle leasing industry but for any business that has a need to lease vehicles for commercial and industrial purposes in Alaska, including the construction, mining and petroleum industries. It is in the best interest of the people of Alaska for the Senate to pass SB 66 in order to clarify the original intent of the vehicle rental tax: namely as a tax targeted primarily to the tourist industry and not to Alaska companies doing business with other Alaska companies involved in the overall effort to improve the state's infrastructure and in the responsible extraction of our natural resources for the benefit of all Alaskans.

Sincerely,

A handwritten signature in black ink that reads "Bonnie J. Faulk". The signature is written in a cursive style with a large, sweeping initial "B".

Bonnie J. Faulk  
President



## Forrest Wolfe

---

**From:** Kristopher Knauss <Knauss@gci.net>  
**Sent:** Tuesday, February 24, 2015 12:29 PM  
**To:** Forrest Wolfe  
**Subject:** Re: Question Re: Rental Tax Bill from 2003

Hey Forrest,

The original intent of the legislation was specific to passenger rental vehicles. There was discussion on R/V rentals, and I can't remember if there was an exemption in the early legislation.

In terms of equipment/leasing rentals, there was never any discussion or intention to tax those entities. Simply put, the tax was directed at the Avis, Hertz, Alamos of the world when the state was seeking revenues from the tourism industry and impacts on surface transportation.

I hope this helps a bit. Call my cell if you or Senator Giessel have any questions.

**Kris Knauss | Principal, The Knauss Group, LLC**  
P.O. Box 110190 | Anchorage, Alaska 99511  
W (907) 677-8500 | C (907) 351-2524 | [Knauss@gci.net](mailto:Knauss@gci.net)



On Feb 24, 2015, at 10:30 AM, Forrest Wolfe <[Forrest.Wolfe@akleg.gov](mailto:Forrest.Wolfe@akleg.gov)> wrote:

Good Morning Kris,

I am working on a bill that seeks to exempt equipment rental/leasing companies from the rental vehicle tax legislation you worked on as a staffer for Pete Kott in 2003 (HB 271, I believe). What has happened is that in 2013 the DOR decided to interpret the statute to be applicable to companies that rent or lease construction equipment/commercial vehicles, and retroactively levied a decade of taxes on all these companies which they never were aware of. After looking through the minutes and listening to the committee hearings, it appears as though the intent of this legislation was to be applied to passenger vehicles for tourists (your Avis, Hertz, Alamo, etc.).

Do you remember if your office had intended this tax to be applicable to companies whose equipment is rented to oil field operators, mining companies, timber companies, other resource industries, and construction companies?

Please write or call me back at 465.8180 when you get a chance so I can pick your brain a little bit.

Thanks,



*Forrest Wolfe  
Legislative Aide  
Office of Senator Cathy Giessel  
907.465.4843*



DAVID J. FAULK

March 16, 2015

The Honorable Cathy Giessel  
Room 427  
State Capitol  
Juneau, AK 99801-1182

Dear Senator Giessel,

Thank you for your support and sponsorship of SB 66. I appreciate the time you and your staff have provided to my mother, Bonnie Faulk, in hearing our company's concerns and helping to resolve the confusion that has surrounded the commercial vehicle leasing industry in the past year.

This bill is important to our firm, Alaska Pacific Leasing, which is a second generation Alaskan-owned family enterprise. I have worked in my family's business for over ten years and the uncertainty that has been created by the Department of Revenue's recent interpretation of the vehicle rental tax has had an unprecedented effect on our market. For the first time, industrial and commercial users are questioning whether the leasing of vehicles is a viable option for their firms and are looking at the possibility of purchasing fleet vehicles instead. A sad state of affairs when many Alaskan businesses are concerned about our state's economic future.

Please let me know how I may be of help to you in working to pass SB 66. It will provide clarity and help to keep leasing businesses in the state viable.

Best Regards,

A handwritten signature in black ink, appearing to read 'David J. Faulk', with a large, stylized initial 'D'.

David J. Faulk



Good Afternoon Mr. Chairman, And members of the Senate Transportation Committee.

I am Kathryn Thomas, Director of Community Relations & Business Development for Alaska Pacific Leasing.

Alaska Pacific Leasing is a family owned company, actively managed by 3<sup>rd</sup> & 4<sup>th</sup> generation Alaskans.

For over 30 years the company has supplied Alaska's construction, oil, gas, mining, engineering and resource development industries with vehicles and equipment.

Thank you for hearing Senate Bill 66.  This bill serves to clarify the intent of House Bill 271 which was passed by the legislature in 2003 to tax the tourism industry for the road use of passenger vehicles. In 2003 the business community was assured that the intent was not to tax Alaska Businesses.

This is the fourth clarification Alaska's Business Community has come to the legislature for. We need your help in clarifying the intent of <sup>the</sup> legislation passed in 2003 and for fair, equitable tax rules that can be applied to pick-up truck rentals.

Many leasing businesses have operated for years, providing vehicles under a long term lease period of 90 days or more and not collecting the tax. The initial correspondence from the Department of Revenue in 2003-2005 was specifically addressed to car rental agencies, targeting passenger vehicle rentals and simply defines that, *"The excise or vehicle rental tax is not levied on a lease or rental that exceeds 90 consecutive days."*

But recently DOR took a position that is contrary to the manner in which the tax rules were first administered, contrary to the way the leasing businesses had been operating since the passage of the tax law in 2003.

Last year the Alaska Leasing community came to the Senate for legislation and clarification. SB 178 was passed along with two letters of intent; but House Bill 314, simply expired at the end of session.

As the process of asking for legislation in 2015 was started, there was concern that once again, we were only fixing a small segment of the vehicle leasing issue and



perhaps we needed to look down the road a little further.

With that in mind we looked to define commercial, industrial and resource development for the tax rules; after all, that is the essence of "Alaska Businesses doing Business with other Alaska Businesses" and what we all believed the original intent of the 2003 legislation and the provision <sup>of</sup> ~~for~~ exempting long term leases from the tax.

By looking at the use of a vehicle for tax levy purposes, as the Municipality of Anchorage has done in their tax rules, we could also avoid the double taxation that rental pick-ups, crew trucks, and small cargo vehicles may be subject to with the recent changes of enforcement by DOR.

We would like to see Senate Bill 66 more clearly define commercial and construction use. The State of Alaska has an easily accessed licensing process for business which can be used and applied for tax purposes and exemptions.

We can define commercial and industrial use by a simple requirement to provide verification of a valid Alaska Occupational and Professional License, which can be specified to include which commercial businesses are applicable, such as engineers, land surveyors, construction contractors or, if the equipment is used on a resource project, the end user must be licensed for the primary business of mining, which would then include oil and gas operations on the North Slope and in the Cook Inlet region.

Vehicle leases and rentals are many layered and diverse in Alaska's business arena due to resource development in remote areas and Alaska's short construction season, and in many cases are on an as needed basis. I will provide the committee with a more detailed explanation by copying you with a sheet that was prepared for Senator Giessel. But, <sup>still</sup> ~~see~~ a few items that Senate Bill 66 could clarify;

Currently there is not a provision to exempt a rental from taxation a second time even if it has already been collected under an initial, rental agreement.

Vehicles maybe billed on a day rate in commercial construction and industrial work, there should be clear rules of tax and exemption.

The tax rules should be clear for electrical contractors working for industry, rural



electric associations and telephone utilities billing by day rates on trucks.

In addition, engineers, geologists, and surveyors bill daily for pick-up and crew trucks. Many remote locations provide the need to rent a truck from a support contractor who has transported vehicles to a remote location. The statute should be clarified to avoid multiple instances of taxation, or double taxation for the same day.

It would be helpful to the industry to use a 28 day monthly billing cycle for tax period increments. The equipment rental industry has used this standard for years. It's fair to us, it fair to the customer, and it keeps record keeping clear and simple. 7 days a week at 4 weeks is 28 days; and of course a month is not always 30 days.

The original legislation in 2003, looked to GVW (gross vehicle weight) to define the size of vehicles and set parameters for the tax rules.

But manufactures are constantly re-designing vehicles, and the leasing customer responds to the cost of fuel looking for more efficiency and lower costs, looking for a lighter vehicle for the same use. The GVW may not be the most effective definition to use.

On the industry leasing side there is a great concern that they will receive no legislative relief if they continue to ask for a reduction in the gross vehicle weight because of the fiscal note analysis for SB66.

We have spent hours reviewing the fiscal note for each change in the bills of last year; and the wording in the fiscal note for this year's SB66.

In the analysis, DOR tells us they don't have enough detailed information from vehicle rental contracts to determine how many rentals will meet the new exemption criteria.

And in the next line, and this is a quote *"However, based on limited vehicle rental tax data from audits, DOR estimates that 10% to 15% of total vehicle rental contracts may meet the new criteria and therefore, vehicle rental tax revenue is estimated to decrease by \$800,000 and 1,200,000."*



What isn't clear is if the referenced tax data is from the "audits" which the leasing industry has been protesting, still reviewing and have not settled. Or, if the information is from audits of companies who normally work in the passenger vehicle arena, the airport type rental companies.

Either way, it may be an apples to oranges comparison, and not a fair way to ask us to all make a decision on gross vehicle weight.

The fiscal note is not clear in telling us if the change will reduce rental tax that has historically been paid to the state, or tell us if the estimate is from the protested audits.

It is only fair that this information be clear because the reduction in gross vehicle weight was important to companies leasing in Southeast Alaska, South Central and it would accommodate the Cook Inlet Oil field. At 8500 GVW the North Slope is easily accommodated.

We understand the concern to see the large SUV's, cargo vans, recreational vehicles fairly taxed for passenger use and tourism. And it is difficult to define rules when some of the same equipment is used by Alaskans for industrial and commercial applications. That's why we encourage you to clearly define industrial and commercial use in SB 66, it may <sup>PROVE MORE</sup> be more definitive than gross vehicle weight.

Alaska's leasing companies have looked for an acknowledgement from the legislature as to the original intent of the bill passed in 2003. Last year's Senate Bill 178 was passed with the accompaniment of a "Letter of Intent" which was treated with a separate vote on the Senate Floor.

*Again*  
We look to the Senate to provide <sup>this</sup> clarification ~~for the original intent of the 2003~~  
*JN* legislation ~~again~~ this year. ~~Perhaps the wording of the Letter of Intent can be used~~  
~~for a Senate Resolution which can accompany SB 66.~~

Thank You Mr. Chairman, and the committee for hearing the testimony of Alaska Pacific Leasing on Senate Bill 66. And we ask for your support in passing this bill out of committee.

