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AMC 12.45 – RENTAL VEHICLE TAX INFORMATIONAL #12

Tax Treatment of a Loaner or Courtesy Vehicle Provided by a Dealer or Repair Shop

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This informational bulletin provides uniform guidance to all Rental Agencies that provide a loaner or courtesy vehicle as part of warranty or repair work. It is the responsibility of the Treasury Division of the Municipality of Anchorage to ensure that Anchorage Municipal Code (AMC) Chapter 12.45 is applied and enforced in equitable manner. Therefore, it is imperative that all Rental Agencies account for this type of transaction in the following prescribed manner.

AMC 12.45.010 states that a Renter is the person that is “operating the vehicle, or responsible for the operation of a vehicle for a definite period of time.”

AMC 12.45.020B requires that the motor vehicle rental tax shall be collected from all Renters at the time the rental fees and charges are collected by a rental vehicle agency.

AMC 12.45.090A2 states that rental vehicle agencies may not “state to the public or to any person renting a motor vehicle, directly or indirectly, that the tax or any part of it will be assumed or absorbed by the rental agency.”

The determination of whether rental vehicle tax must be collected from the Renter depends on the specific facts and circumstances. Generally, these transactions fall into the following categories:

- If a business (e.g. automotive dealer) provides a “loaner” vehicle from its own fleet to a customer while performing warranty work and is subsequently reimbursed by a vehicle manufacturer for providing the “loaner” vehicle to the customer, it is not a taxable transaction and the manufacturer is not the Renter.
- If a business (e.g. automotive dealer) provides a courtesy vehicle from its own fleet to a customer while performing warranty work or repairs and charges the customer for the courtesy vehicle, then rental vehicle tax is due and must be collected from the customer. In this scenario, the business meets the AMC Chapter 12.45 definition of “rental agency” and must be registered with MOA as a rental agency.
- If a business (e.g. dealer or repair shop) provides a courtesy vehicle to a customer while performing warranty work or repairs and refers its customer to a third party rental agency to obtain the courtesy vehicle, then tax is due on the amount of the rental transaction and must be collected by the third party rental agency.

The number of rental agreements conducted during each month of the quarter must be reported on the quarterly Rental Vehicle Tax Return.