



# MUNICIPALITY OF ANCHORAGE

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## AMC 12.45 – RENTAL VEHICLE TAX INFORMATIONAL #2 Commissions and Collection Agency Fees

Issued: August 1, 2000

The intent of this informational is to provide uniform guidance to Municipal rental vehicle agencies who pay commission fees to booking agents, tour operators, or travel agents to arrange motor vehicle rentals and/or collect monies for individual motor vehicles or groups of motor vehicles from customers or tour groups. The intent is to also provide uniform guidance for other transactions such as fees charged by collection agencies. It is the responsibility of this office to ensure that Anchorage Municipal Code (AMC) 12.45 is applied and enforced in an equitable manner and therefore, it is imperative that all rental agencies account for these taxable transactions in a comparable and consistent manner.

Pursuant to AMC 12.45.020, the motor vehicle rental tax is levied on “the total fees and costs charged for the rental of a motor vehicle”. This means that the tax is owed on the total paid by the renter regardless of whether that total has been paid in part or in whole to a booking agent, tour operator, or travel agent, or directly to the rental agency. If the rental agency pays a commission fee to the booking agent, tour operator, or travel agent for services rendered, this commission will NOT reduce the amount of gross fees and costs to be reported to the Municipality. The total amount of tax collected from the renter must be remitted to the Municipality.

Similarly, expenses incurred by a rental agency such as fees charged by collection agencies will not reduce the amount of gross fees and costs to be reported to the Municipality. The total amount of the tax collected from the renter must be remitted to the Municipality.

These types of transactions are ordinary business expenses which may not be used to reduce gross fees and costs to “net fees and costs” collected for Municipal tax purposes.

The following simplified example will serve to clarify this issue:

Gross value of the rental contract before the tax	\$150.00
8% tax to be paid by the renter	<u>12.00</u>
Total amount to be paid by the renter	\$162.00
Less commission or collection agency fee	<\$irrelevant>
Net amount collected by the rental agency	<\$irrelevant>
Tax to be remitted to the Municipality	\$ 12.00

If you have any questions about this matter, please contact the Treasury Division of the Municipality of Anchorage at the numbers listed below between 8:00AM and 5:00PM Monday through Friday, except on holidays.