



MUNICIPALITY OF ANCHORAGE

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AMC 12.45 – RENTAL VEHICLE TAX INFORMATIONAL #3

“Fees and Costs” Includes Charges for the “Right to Operate” a Motor Vehicle

Issued: August 1, 2000

Anchorage Municipal Code (AMC) 12.45 incorporates several very precisely defined terms to allow for the administration of this tax code. Section 12.45.010 defines the term “fees and costs” to be “the value of all charges incurred by the renter, other than the tax prescribed by this chapter, for the use of a motor vehicle, regardless of whether paid in the form of money, property, or services.” In addition, this section defines “to rent” or any conjugation of the verb form to mean “to acquire” (renter) “or sell” (rental agency) “the right to operate a motor vehicle or be responsible for the operation of a motor vehicle for a definite period of time.” The term “to lease” is similarly defined. Within the context of AMC 12.45, there is no prerequisite for a renter to physically take possession of a motor vehicle before it can be established that rental transaction has occurred.

What some may call a “reservation fee”, “cancellation fee”, or “guaranteed no-show fee”, or similar terminology is determined by the Department to be a “fees and costs” transaction pursuant to AMC 12.45. This determination is based on the substance, rather than the form, of the transaction as evidenced by the following attributes:

1. A reservation transaction is a contractual agreement, whether written or oral, during which the renter acquires the right to operate or be responsible for a motor vehicle on a pre-designated date and the rental agency acquires consideration in the form of compensation (prepayment) or authorized access to compensation (credit card number).
2. The term “right to operate or to be responsible for the operation of a motor vehicle” can be measured – it runs from the date the motor vehicle was offered and accepted through the pre-designated reserved date or when the reservation is canceled, whichever comes first.
3. The cost of the “right to operate or be responsible for the operation of a motor vehicle” can be measured – it is the amount of the compensation to the rental agency.
4. The existence of the renter’s “right to operator or be responsible for the operation of a motor vehicle” is evidenced by the fact that the rental agency’s records reflect the reservation of a motor vehicle for the renter on the pre-designated date.

If the renter cancels the reservation in a manner considered timely by the rental agency, the rental agency may choose to not enforce the contract and return the compensation received. Under this scenario, the transaction would result in no tax required to be remitted to the Municipality. However, if the rental agency chooses to enforce the reservation contract and retain or collect compensation, a tax in the amount of 8% of the transaction proceeds must also be collected and remitted to the Municipality in accordance with AMC 12.45.

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.