

ANCHORAGE, ALASKA
AO No. 2020-55, As Amended

1 **AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER**
2 **12.45, RENTAL TAX ON RENTAL OF MOTOR VEHICLES, TO REMOVE THE**
3 **MAXIMUM TAX COLLECTED ON THE RENTAL OF PASSENGER CARS, VANS,**
4 **TRUCKS, AND RECREATIONAL VEHICLES WITHIN THE 30-DAY PERIOD; TO**
5 **ESTABLISH THE DUTIES AND RESPONSIBILITIES OF A RENTAL VEHICLE**
6 **HOSTING PLATFORM; AND TO ESTABLISH THE RULES AND**
7 **RESPONSIBILITIES OF RENTAL AGENCIES WHO USE A HOSTING**
8 **PLATFORM TO CONDUCT MOTOR VEHICLE RENTAL TRANSACTIONS.**
9

10
11 **WHEREAS**, the Municipality of Anchorage currently levies an 8% tax on the rental
12 of motor vehicles, popularly known as the "vehicle rental tax;" and
13

14 **WHEREAS**, the Municipality wishes to decrease the property tax burden on property
15 owners, while simultaneously continuing to fund essential services for the benefit of
16 Anchorage residents; and
17

18 **WHEREAS**, the United States Supreme Court recently held in *South Dakota v.*
19 *Wayfair, Inc.* that a physical presence in a taxing jurisdiction is no longer required
20 for an entity to have a substantial nexus with the jurisdiction; thus, local and state
21 taxing authorities have the authority to *require* online hosting platforms to remit local
22 taxes; and
23

24 **WHEREAS**, this ordinance would require all online platforms offering rental vehicles
25 to register, collect, and remit vehicle rental tax on behalf of the rental agencies or
26 individual renters using the platform under the procedures and requirements set
27 forth in new section 12.45.051; now, therefore,
28

29 **THE ANCHORAGE ASSEMBLY ORDAINS:**
30

31 **Section 1.** Anchorage Municipal Code section 12.45.010 is hereby amended to
32 read as follows (*the remainder of the section is not affected and therefore not set*
33 *out*):
34

35 **12.45.010 Definitions**
36

37 The following words, terms, and phrases, when used in this chapter,
38 shall have the meanings ascribed to them in this chapter, except where the
39 context clearly indicates a different meaning:
40

41 *** **

Hosting platform means a person or entity that provides a means through which any person engaged in the retail business of renting or leasing motor vehicles (i.e., rental agency) may offer a motor vehicle for rent. This service is usually provided through an online platform and generally allows a the person engaged in the retail business of renting or leasing motor vehicles to advertise a motor vehicle for rent through a website provided by the hosting platform and provides a means for a motor vehicle renter to pay rent for the motor vehicle.

*** **

(AO No. 2000-116(S), § 1, 7-18-00; AO No. 2005-92, § 1, 6-24-05; AO No. 2015-48, § 1, 5-14-15)

~~**Section 2.** Anchorage Municipal Code section 12.45.020 is hereby amended to read as follows (the remainder of the section is not affected and therefore not set out):~~

~~**12.45.020 — Motor vehicle rental tax.**~~

~~**A. — A tax of eight percent of the total fees and costs charged for the rental of a motor vehicle (“vehicle rental tax”) is hereby levied on the first thirty (30) day period of the retail rental of motor vehicles within the Municipality. [, PROVIDED THAT THE MAXIMUM TAX THAT MAY BE COLLECTED ON PASSENGER CARS WITHIN THE 30-DAY PERIOD SHALL NOT EXCEED \$120.00, AND THE MAXIMUM TAX THAT MAY BE COLLECTED ON VANS, TRUCKS, AND RECREATIONAL VEHICLES WITHIN THE 30-DAY PERIOD SHALL NOT EXCEED \$240.00]**~~

~~*** **~~

~~(AO No. 2000-45, § 1, 2-15-00; AO No. 2000-116(S), § 2, 7-18-00)]~~

Section 3. Anchorage Municipal Code chapter 12.45 is hereby amended to add a new section as follows (*shown below without legislative drafting formatting*):

Section 12.45.051 – Registered hosting platforms

A. *Registration, collection, and remittance required.* Every hosting platform that agrees to accept a motor vehicle rental payment from a motor vehicle renter pursuant to section 12.45.020, subject to exemptions specified in subsection 12.45.051A.1., shall obtain a certificate of registration prior to renting motor vehicles to persons subject to this chapter, and shall collect vehicle rental tax and remit the tax to the department on behalf of all rental agencies, as defined in section 12.45.010, for which it provides this service.

1. Exemptions.

a. The following rules apply to exemptions from subsection A.:

i. Branded hosting platforms used exclusively for a particular rental car brand and its affiliates are exempt from registration.

ii. Tour companies, travel booking agents, and wholesale vehicle rental agencies are exempt from vehicle rental tax collection and remittance to the department for each vehicle rental transaction meeting the following criteria:

(A) The rental of vehicles at an individual rental agency with twenty-five or more vehicles that is properly registered with the municipality, per the Treasury Division's online published list of registered rental agencies; and

(B) Collection of vehicle rental tax and payment of funds to the registered rental agency, either through direct transfer or subsequent billing from the registered rental agency.

b. Any hosting platform subject to subsection A. that is wholly involved in vehicle rental transactions covered by this subsection A.1. shall not be required to register, collect, and remit vehicle rental tax to the department.

B. *Application.* Application for a certificate of registration shall be made to the chief fiscal officer on a form provided by the department containing such information as the department may require. There shall be no charge for issuing a certificate of registration.

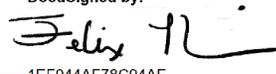
C. *Responsibilities.* A rental agency that uses a registered hosting platform as the sole method for renting or offering motor vehicles for rent shall not be subject to this chapter to the extent the registered hosting platform performs the responsibilities of a rental agency, with the exception of section 12.45.150, maintenance and inspection of documents and records.

D. A hosting platform applying for a certificate of registration under this chapter shall provide security for its fiduciary performance in accordance with section 12.45.055, security for fiduciary performance. Evidence of such security shall be submitted to the department with the application.

- 1
2 E. Taxes collected by a registered hosting platform pursuant to this
3 chapter shall vest in the municipality upon collection. The hosting
4 platform has a fiduciary duty to the municipality for these taxes. The
5 taxes shall be segregated from the hosting platform's funds, at least
6 by book account, and held in trust for the exclusive benefit of the
7 municipality until remitted to the municipality.
8
9 F. A registered hosting platform shall submit tax returns and remit tax
10 payments in accordance with sections 12.45.060 and 12.45.070,
11 except that the tax return shall set forth or include the aggregated
12 amounts of all motor vehicle rents earned by and taxes due from the
13 rental agencies who use the hosting platform to rent or offer to rent
14 motor vehicles through the hosting platform. To the extent a hosting
15 platform collects taxes on behalf of a rental agency, the rental
16 agency's liability for those taxes shall be deemed satisfied.
17
18 G. A registered hosting platform shall obtain and preserve evidence
19 sufficient to support all motor vehicle rental transactions subject to this
20 chapter and all claimed exemptions from payment, collection, or
21 remittance of the vehicle rental taxes under this chapter in accordance
22 with section 12.45.150. To the extent a hosting platform may assign
23 anonymous account numbers to rental agencies or individuals using
24 the hosting platform, when inspecting records the department shall
25 inspect the required records in an anonymized fashion, unless the
26 department has obtained a release of information form the rental
27 agency or individual, or an order to produce identifiable information
28 issued through a binding legal process.
29
30 H. A registered hosting platform is not subject to section 12.45.110, tax
31 lien.
32
33 I. Except as expressly provided for in this section, a hosting platform is
34 subject to all other provisions of this chapter.
35

36 **Section 4.** This ordinance shall become effective on **October 1, 2020**
37 ~~[September 1, 2020]~~, upon passage and approval by the Anchorage Assembly.
38

39 PASSED AND APPROVED by the Anchorage Assembly this 28th day of July,
40 2020.
41

42
43 DocuSigned by:
44 
45 1EF044AF78C94AE...
46 Chair of the Assembly _____

46 ATTEST:

47
48 
49 _____

50 Municipal Clerk

MUNICIPALITY OF ANCHORAGE
Summary of Economic Effects -- General Government

AO Number: 2020-55

Title: **AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE CHAPTER 12.45, RENTAL TAX ON RENTAL OF MOTOR VEHICLES, TO REMOVE THE MAXIMUM TAX COLLECTED ON THE RENTAL OF PASSENGER CARS, VANS, TRUCKS, AND RECREATIONAL VEHICLES WITHIN THE 30-DAY PERIOD; TO ESTABLISH THE DUTIES AND RESPONSIBILITIES OF A RENTAL VEHICLE HOSTING PLATFORM; AND TO ESTABLISH THE RULES AND RESPONSIBILITIES OF RENTAL AGENCIES WHO USE A HOSTING PLATFORM TO CONDUCT MOTOR VEHICLE RENTAL TRANSACTIONS.**

Sponsor: **MAYOR**
 Preparing Agency: **FINANCE/TREASURY**
 Others Impacted:

CHANGES IN EXPENDITURES AND REVENUES:					
	(In Thousands of Dollars)				
	FY20	FY21	FY22	FY23	FY24
Operating Expenditures					
1000 Personal Services					
2000 Non-Labor					
3900 Contributions					
4000 Debt Service					
TOTAL DIRECT COSTS:	\$ -	\$ -	\$ -	\$ -	\$ -
Add: 6000 Charges from Others					
Less: 7000 Charges to Others					
FUNCTION COST:	\$ -	\$ -	\$ -	\$ -	\$ -
REVENUES:	\$ 100	\$ 520	\$ 780	\$ 820	\$ 860

CAPITAL:

POSITIONS: FT/PT and Temp

PUBLIC SECTOR ECONOMIC EFFECTS:

This ordinance provides a more efficient process for collecting rental vehicle rental tax, due to streamlining the remittance and reporting requirements of hosting platforms. These changes are expected to generate additional tax revenue due to capturing the online market share that previously fell under the radar. Treasury's labor costs are not expected to increase. Requiring hosting platforms to register with Treasury is expected to capture as many as forty unregistered rental agencies, which include individuals, that have been non-compliant with AMC 12.45 and, consequently, are not remitting vehicle rental tax.

The changes from this ordinance are expected to generate an additional \$10,000 in revenue for transactions conducted through hosting platforms, and an additional \$90,000 from removal of the maximum tax, for the last four months of 2020 with a September 1, 2020 start date. In 2021, which will be the first full calendar year of these changes, an estimated additional \$520,000 is expected.

PRIVATE SECTOR ECONOMIC EFFECTS:

This ordinance should simplify the administrative requirements for rental agencies because there is no change to the overall tax rate of 8%, but there will no longer be a requirement to track the maximum tax charged within the first 30 days of the rental transaction. Further, rental agencies who exclusively use registered hosting platforms will no longer be required to manage the tax collection and remittance processes of transactions conducted through the hosting platform.



MUNICIPALITY OF ANCHORAGE

Assembly Memorandum

No. AM 298-2020

Meeting Date: June 2, 2020

1 **From:** MAYOR

2
3 **Subject:** AN ORDINANCE AMENDING ANCHORAGE MUNICIPAL CODE
4 CHAPTER 12.45, RENTAL TAX ON RENTAL OF MOTOR
5 VEHICLES, TO REMOVE THE MAXIMUM TAX COLLECTED ON
6 THE RENTAL OF PASSENGER CARS, VANS, TRUCKS, AND
7 RECREATIONAL VEHICLES WITHIN THE 30-DAY PERIOD; TO
8 ESTABLISH THE DUTIES AND RESPONSIBILITIES OF A
9 RENTAL VEHICLE HOSTING PLATFORM; AND TO ESTABLISH
10 THE RULES AND RESPONSIBILITIES OF RENTAL AGENCIES
11 WHO USE A HOSTING PLATFORM TO CONDUCT MOTOR
12 VEHICLE RENTAL TRANSACTIONS.

13
14 In recent years, the online peer-to-peer marketplace has expanded to include
15 rental vehicle hosting platforms, such as Turo, Outdoorsy, RVshare and
16 Getaround, which provide an online marketplace for people to rent vehicles either
17 from individuals or rental agencies. However, these hosting platforms were not
18 typically registered with the local taxing authority to assess, collect, and remit
19 applicable vehicle rental taxes on these transactions, and the taxing authorities
20 generally lacked the authority to enforce their jurisdictional requirements.

21
22 This recently changed, however, because of the United States Supreme Court
23 decision in *South Dakota v. Wayfair, Inc.*, where the Court held that a physical
24 presence in a taxing jurisdiction is no longer required for an entity to have a
25 substantial nexus with a jurisdiction. Thus, local and state taxing authorities now
26 have the authority to require online hosting platforms to remit local taxes.

27
28 The proposed ordinance establishes the rules and responsibilities of rental vehicle
29 hosting platforms, and it requires all hosting platforms to register, collect, and remit
30 vehicle rental tax on behalf of rental agencies, which includes individuals, using a
31 hosting platform to list their vehicles for rent. This helps to remove the disparity
32 between properly registered rental agencies that submit vehicle rental taxes and
33 those falling under radar. These new requirements for rental vehicle platforms
34 mirror the changes made to AMC 12.20 for room tax hosting platforms. The
35 proposed ordinance also eliminates the maximum tax cap of \$120 on passenger
36 cars and \$240 on vans, trucks, and recreational vehicles within the first 30-day
37 rental period, consistent with practices by other jurisdictions.

38
39 Treasury estimates that rental vehicle tax revenue will generate an annualized

1 increase of \$760,000, post COVID-19, because of these changes and continue to
2 increase approximately 5% thereafter. This additional revenue will directly offset
3 property taxes and help fund essential city services, while having a negligible effect
4 on administrative costs.

5
6 **THE ADMINISTRATION RECOMMENDS APPROVAL.**

7
8 Prepared by: Daniel Moore, Municipal Treasurer
9 Approved by: Alexander Slivka, CFO
10 Concur: Lance Wilber, Director, Office of Management and
11 Budget
12 Concur: Kathryn R. Vogel, Municipal Attorney
13 Concur: William D. Falsey, Municipal Manager
14 Respectfully submitted: Ethan A. Berkowitz, Mayor