



## MUNICIPALITY OF ANCHORAGE

Finance Dep't., Treasury Div.  
Fax: (907) 343-6677

Mailing Address  
P.O. Box 196650  
Anchorage, AK 99519-6650

Physical Address  
632 W. 6<sup>th</sup> Avenue, 3<sup>rd</sup> Floor  
Anchorage, AK 99501

### AMC 12.45 – RENTAL VEHICLE TAX INFORMATIONAL #8

#### Reporting of Billing Adjustments and Correction of Accounting Errors

Issued: July 8, 2002

##### Billing Adjustments

It is the Department's understanding that it is a common industry practice for rental agencies to review their rental contracts for completeness and accuracy after customers have returned rented motor vehicles. As a result of this review, the fees and costs incurred and the rental vehicle tax assessed may need to be adjusted and the customer billed for the difference. The review, adjustments, and subsequent billing of the customer may occur several months after a contract was closed.

Pursuant to Anchorage Municipal Code (AMC) 12.45.060, the timing of the reporting of fees and costs earned and the rental vehicle tax due is premised upon the basis a rental agency uses to recognize when fees and costs have been earned. Subsection A.2, states:

Generally, cash basis businesses recognize the total fees and costs for motor vehicle rentals as earned when the payments are actually collected and accrual basis businesses recognize the total fees and costs for motor vehicle rentals as earned when the rental transactions occur regardless of when payment is actually received.

Therefore, in accordance with AMC 12.45.060A.2., **the effects of the billing adjustment would be reported on the Rental Vehicle Tax Return for the period in which the billing adjustment is recognized in a rental agency's books of account.** The adjusted contract would also be included in the count of rental contracts reported on that tax return, even though the unadjusted contract may have been reported on a prior Rental Vehicle Tax Return.

##### Correction of Accounting Errors

A correction of accounting errors that are not currently billed does not alter the timing of a rental agency's intent to recognize the earning of fees and costs or the collection of tax. **The Department requires a rental agency to file an amended Rental Vehicle Tax Return for the period when fees and costs and/or tax should have been reported but were either under-reported or over-reported due to accounting errors.** For example, if a rental agency discovers in August that rental vehicle tax charged on an April contract was mistakenly booked to the wrong ledger account, then the previously filed tax return for the second quarter must be amended and payment remitted for the incremental tax due, late payment penalty, and interest. Conversely, if a rental agency discovers in August that an amount was mistakenly booked as taxable fees and costs in April and it should have been tax-exempt, then the previously filed second quarter tax return must be amended to reflect a reduction in the reported taxable fees and costs, an increase in the reported tax exempt fees and costs, and a decrease in rental vehicle tax due. The rental agency can either request a refund pursuant to AMC 12.45.080 or apply the tax credit to the next Rental Vehicle Tax Return when it is filed.

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.

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For more information, please visit our website at: [www.muni.org/treasury](http://www.muni.org/treasury) and click the "Rental Vehicle Tax" link, or contact:  
Supervisor (907) 343-6965      Enforcement Officers (907) 343-6964 or 6676      Assistants (907) 343-6686 or 6967