WHEREAS, the Municipality of Anchorage currently levies an 8% tax on the rental of motor vehicles, popularly known as the “vehicle rental tax;” and

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

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

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

THE ANCHORAGE ASSEMBLY ORDAINS:

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

12.45.010 Definitions

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

*** *** ***
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 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.
E. Taxes collected by a registered hosting platform pursuant to this chapter shall vest in the municipality upon collection. The hosting platform has a fiduciary duty to the municipality for these taxes. The taxes shall be segregated from the hosting platform’s funds, at least by book account, and held in trust for the exclusive benefit of the municipality until remitted to the municipality.

F. A registered hosting platform shall submit tax returns and remit tax payments in accordance with sections 12.45.060 and 12.45.070, except that the tax return shall set forth or include the aggregated amounts of all motor vehicle rents earned by and taxes due from the rental agencies who use the hosting platform to rent or offer to rent motor vehicles through the hosting platform. To the extent a hosting platform collects taxes on behalf of a rental agency, the rental agency’s liability for those taxes shall be deemed satisfied.

G. A registered hosting platform shall obtain and preserve evidence sufficient to support all motor vehicle rental transactions subject to this chapter and all claimed exemptions from payment, collection, or remittance of the vehicle rental taxes under this chapter in accordance with section 12.45.150. To the extent a hosting platform may assign anonymous account numbers to rental agencies or individuals using the hosting platform, when inspecting records the department shall inspect the required records in an anonymized fashion, unless the department has obtained a release of information form the rental agency or individual, or an order to produce identifiable information issued through a binding legal process.

H. A registered hosting platform is not subject to section 12.45.110, tax lien.

I. Except as expressly provided for in this section, a hosting platform is subject to all other provisions of this chapter.

Section 4. This ordinance shall become effective on September 1, 2020, upon passage and approval by the Anchorage Assembly.

PASSED AND APPROVED by the Anchorage Assembly this ______ day of ______________, 2020.

______________________________
Chair of the Assembly

ATTEST:

______________________________
Municipal Clerk
### Summary of Economic Effects -- General Government

**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.**

**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  
**Preparation Agency:** Finance/Treasury  
**Others Impacted:**

<table>
<thead>
<tr>
<th>FY20</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24</th>
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<tbody>
<tr>
<td>1000 Personal Services</td>
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<tr>
<td>2000 Non-Labor</td>
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<tr>
<td>3900 Contributions</td>
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<td>4000 Debt Service</td>
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</tbody>
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**TOTAL DIRECT COSTS:** $ - $ - $ - $ - $ -

Add: 6000 Charges from Others  
Less: 7000 Charges to Others

**FUNCTION COST:** $ - $ - $ - $ - $ -

**REVENUES:** $ 100 $ 520 $ 780 $ 820 $ 860

**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.

Prepared by: Daniel Moore, Municipal Treasurer  
Telephone: 343-4092
From: MAYOR

Subject: 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.

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

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

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

Treasury estimates that rental vehicle tax revenue will generate an annualized
increase of $760,000, post COVID-19, because of these changes and continue to
increase approximately 5% thereafter. This additional revenue will directly offset
property taxes and help fund essential city services, while having a negligible effect
on administrative costs.

THE ADMINISTRATION RECOMMENDS APPROVAL.

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