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Ways and Means Committee

Education Subcommittee

House Chair
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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

HB0869- Sales and Use and Vehicle Excise Taxes – Peer-to-Peer Car Sharing and Short-Term Vehicle Rentals – Alterations and Distribution
Hearing: Ways and Means, February 18th, 2021 1:30 p.m.

Chairman Kaiser, Vice Chair Washington and members of the Ways and Means Committee,

I write to respectfully request your support for HB869 which creates parity for the sales and use tax paid to reserve a car rental via a peer-to-peer car sharing platform and a traditional car rental outlet. Additionally, this bill repeals an exemption from the car titling tax currently enjoyed by traditional car rental companies. This arrangement is problematic for several reasons, but the most egregious is that it has failed to recoup the promised revenue. Today, according to the Maryland Department of Budget Management, this loophole adds up to at least \$50 million in lost tax revenue *each year*. In summary, this bill eliminates the fleet titling tax exemption, lowers the counter sales tax consumers pay for rentals and applies the recouped revenue to the funding of Maryland's Historically Black Colleges and Universities (HBCUs). This new sustainable revenue source would not supplant other state appropriated funding for HBCUs but supplement those commitments to ensure we never fail to uphold our obligations to these critically important institutions of higher learning.

I cannot stress even more the importance of highlighting that peer-to-peer platforms do not own, operate, buy, or sell vehicles within Maryland. Peer-to-peer platform users pay a titling tax on the personal vehicles they choose to rent out. Therefore, car sharing platforms do not benefit from the titling tax exemptions enjoyed by rental car companies. Moreover, the titling tax exemption for rental car companies is not revenue neutral. The foregone revenue is just another unexamined component of our tax system that requires policymakers to simply assume that tax breaks conceived decades ago, in good faith, are operating as conceived. In this case, the legislative history is at odds with the current whole this exemption places in our fiscal landscape.

The rental car industry is not the enemy of HBCUs but I respectfully submit that the unexamined and assumed necessity of a corporate tax break is itself antithetical to basic notions of equity policy and fiscal justice.

For the foregoing reasons, I respectfully request your support for HB869.

Delegate Stephanie Smith