



EHI SUPPORT of SB573

Sales and Use Tax – Short-Term Rental
Vehicles and Peer-to-Peer Car Sharing –
Rate Alteration and Sunset Repeal

Budget and Taxation Committee

February 19, 2020

BACKGROUND

2018 Maryland General Assembly: Peer-to-Peer Legislation

- Legislation passed to regulate peer-to-peer car sharing platforms **in nearly identical fashion to incumbent rental car companies.**
- The primary focus of the 2018 legislation was to ensure the protection and safety of consumers renting vehicles from P2P companies as well as third parties affected by P2P car rentals.



CH 852 of 2018 (P2P Car Rental Statutory Provisions)

PARITY

- P2P Insurance Provisions → **PARITY with existing rental car requirements**
- P2P Licensing → **PARITY with existing rental car requirements**
- P2P Disclosures → **PARITY with existing rental car requirements**
- P2P Consumer Protections → **PARITY with existing rental car requirements**
- P2P General Prohibitions → **PARITY with existing rental car requirements**
- P2P Airport Concessions → **PARITY with existing rental car requirements**
- P2P Regulatory Oversight → **PARITY with existing rental car requirements**

NO PARITY

- P2P Sales and Use Tax → **NO PARITY with existing rental car tax**

ISSUE

Current Maryland law does not tax the similar commercial activity of renting/sharing a vehicle equally.

Inequality in Tax Rates

Sales and Use Rate on **Incumbent Rental Car** Transactions:

11.5%

On consumer transactions for **passenger car rental**

8%

On consumer transactions for **truck rental**

Sales and Use Rate on **Peer-to-Peer Car** Transactions:

8%

On **all consumer transactions**, for all rentals regardless of the type of vehicle*

**This provision sunsets June 30, 2020 (CH 852 2018)*

Vs.

PROPOSED SOLUTION

Equalize the Sales and Use Tax rates for businesses engaged in the same commercial activity



Why?



1

Purpose

2

Precedent

3

Fairness

4

Revenue

PURPOSE

Sales and Use tax is a consumption tax.

1.

Purpose

2.

Precedent

3.

Fairness

4.

Revenue

MARYLAND'S SALES AND USE TAX IS:

- ✓ **A tax paid directly by the consumer.**
- ✓ *A tax on the consumption of goods and services.*
- ✓ *A tax based on the commercial transaction.*
- ✓ **A tax that treats similar goods and similar services equally (ensuring fairness within industries).**
- ✓ *A tax collected by the vendor and remitted to the State.*

MARYLAND'S SALES AND USE TAX IS NOT:

- ✗ **A tax based on how long a business has been in existence.**
- ✗ *A tax based on where the business is located (in or out of state).*
- ✗ *A tax based on whether the goods or services are purchased online or in person.*
- ✗ *A tax based on how big or small the business providing goods or services is.*
- ✗ **A tax based on how other taxes are applied.**

PRECEDENT

Asked and answered by the General Assembly.



Home-Sharing Rentals Online vs. In-Person Cost of Acquisition

Transactions with home-sharing rental platforms **are taxed at the same rate** as transactions on hotels (Ch. 758 of 2019).

Transactions for similar goods and services **are taxed at the same rate** whether occurring online or in-person, in state or out of state (marketplace facilitators).

Transactions for similar goods and services **are taxed at the same rate** regardless of the cost to acquire/manufacture the good (including the tax on materials) or the prior use of the good.

Examples:



FAIRNESS

Maryland's incumbent rental car business model operates at a competitive disadvantage.

- 1 Purpose
- 2 Precedent
- 3 **Fairness**
- 4 Revenue

- **When competing for the same consumer looking to rent a vehicle in Maryland, P2P companies should not be afforded the clear economic advantage of a lower Sales and Use Rate.**
 - The consumer will always search for the best deal.
- **P2P companies are just a new business model for delivering rental cars to consumers.**
 - Incumbent rental car companies provide on-line, app-based car rental too.
- **P2P platforms rent vehicles from every kind of owner.**
 - Not just privately owned vehicles, but fleets from body shops, dealers, traditional car rental companies, and "power hosts."
- **Proliferation and growth of P2P Rentals, which now includes insurance companies and vehicle manufacturers.**
 - This is not David vs. Goliath (See next 5 slides).



P2P RENTAL COMPANIES

A screenshot of a web browser displaying the Getaround website. The browser's address bar shows the URL https://www.getaround.com/. The page features a main heading "Rent cars near you" in purple, followed by the text "Convenient hourly and daily rentals. Insurance included." Below this, there are six car categories, each with a representative image and a label: "Sedan / Coupe" (red car), "SUV / Jeep" (blue SUV), "Hatchback / Wagon" (white hatchback), "Sedan / Coupe" (white convertible), "SUV / Jeep" (silver minivan), and "Hatchback / Wagon" (grey pickup truck). At the bottom of the page, a purple banner contains the text "Own a car? Share on Getaround and earn \$1000s." and a "Start earning" button. The Windows taskbar is visible at the bottom of the screenshot, showing the search bar and several application icons. The system tray in the bottom right corner displays the time as 4:26 PM on 1/20/2020.

Rent cars near you

Convenient hourly and daily rentals. Insurance included.



Sedan / Coupe



SUV / Jeep



Hatchback / Wagon



Own a car?

Share on Getaround and earn \$1000s.

Start earning

P2P RENTAL COMPANIES



The screenshot shows the TURO website interface. At the top left is the TURO logo. On the right side of the header, there are links for "List your car", "Learn more", "Sign up", and "Log in", along with a user profile icon. The main content area features a large background image of a white SUV driving on a winding road through a hilly, wooded landscape. Overlaid on this image is the headline "Way better than a rental car" in a large, white, serif font, with the subtext "Book unforgettable cars from trusted hosts around the world" in a smaller, white, sans-serif font below it. Below the text is a search bar with three input fields: "Where" (with placeholder text "City, airport, address, or hotel"), "From" (with date and time "01/22/2020 10:00 AM"), and "Until" (with date and time "01/25/2020 10:00 AM"). A green search icon is on the right of the search bar. At the bottom of the main content area, there is a white box with the text "INSURANCE PROVIDER" and the Liberty Mutual Insurance logo. The bottom of the screenshot shows a Windows taskbar with a search bar, several application icons, and a system tray showing the time as 4:21 PM on 1/20/2020.

P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)



The screenshot shows a web browser window displaying the Flare website. The browser's address bar shows the URL <https://flarecar.com/>. The website features the Flare logo, which includes the text "flare" in blue and "protected by Allstate" in smaller blue text below it. A navigation menu at the top right contains the links "About Us", "How it Works", "Contact Us", and "FAQs". The main heading is "Get back on the road" in a large, bold, black font. Below this heading is a paragraph of text: "Flare, protected by Allstate, is the cost-effective, hassle-free way to get you behind the wheel again. Flare will deliver a replacement vehicle of your choice directly to you, while your repair shop is at work. Together, Flare and Allstate have your back." A blue button labeled "Book Now" is positioned below the text. The background of the website is a stylized illustration of a winding road through a landscape with mountains, a sun, and clouds. Two cars are shown on the road: a blue sedan in the foreground and an orange van in the background. The Windows taskbar at the bottom of the screen shows the search bar with the text "Type here to search" and several application icons. The system tray on the right indicates the time as 4:34 PM on 1/20/2020.

<https://flarecar.com/>

Flare
protected by Allstate

About Us How it Works Contact Us FAQs

Get back on the road

Flare, protected by Allstate, is the cost-effective, hassle-free way to get you behind the wheel again. Flare will deliver a replacement vehicle of your choice directly to you, while your repair shop is at work. Together, Flare and Allstate have your back.

[Book Now](#)

Type here to search

4:34 PM
1/20/2020

P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)

A screenshot of a web browser displaying the Avail website. The browser's address bar shows the URL 'https://availcarsharing.com/protected-by-allstate'. The page has a navigation menu with 'Borrow a Car', 'Park & Share', and 'Insurance by Allstate' (which is underlined). The Avail logo with 'protected by Allstate' is in the top right. The main content area has a heading 'Protected By Allstate' and a sub-heading 'Your car is protected by Allstate'. Below this is a paragraph explaining the insurance policy. There are two columns of text: 'How it works' and 'Accident-related replacement and repairs'. The 'How it works' section includes a 'Keep in mind' note. The 'Accident-related replacement and repairs' section contains a bulleted list. At the bottom, the Windows taskbar is visible with the search bar and several application icons. The system tray shows the time as 4:37 PM on 1/20/2020.

← Back to previous page

Protected By Allstate

Your car is protected by Allstate

We're here to help you understand how Avail's insurance policy works. This is a simplified version of what you're covered for, when coverage applies, and how claims are handled. If you have any questions let us know.

How it works

Avail's insurance policy will provide coverage to an eligible vehicle while it is actively listed on the Avail and available for immediate borrowing.

-If you're using **Avail at an airport**, your car is covered for the entirety of your trip, from pick up to drop off, or vice versa if you're sharing a car.

-If you're using **Avail at an apartment building**, your vehicle is covered the entire time it's listed as available on the Avail app (requires your vehicle's keys to be in the lockbox), including when it is out on a trip.

Keep in mind - In order for Comprehensive and Collision coverage to apply to your car, vehicle owners must have Comprehensive and Collision coverage on their personal auto policy. This is a requirement to protect Avail from fraud.

Accident-related replacement and repairs

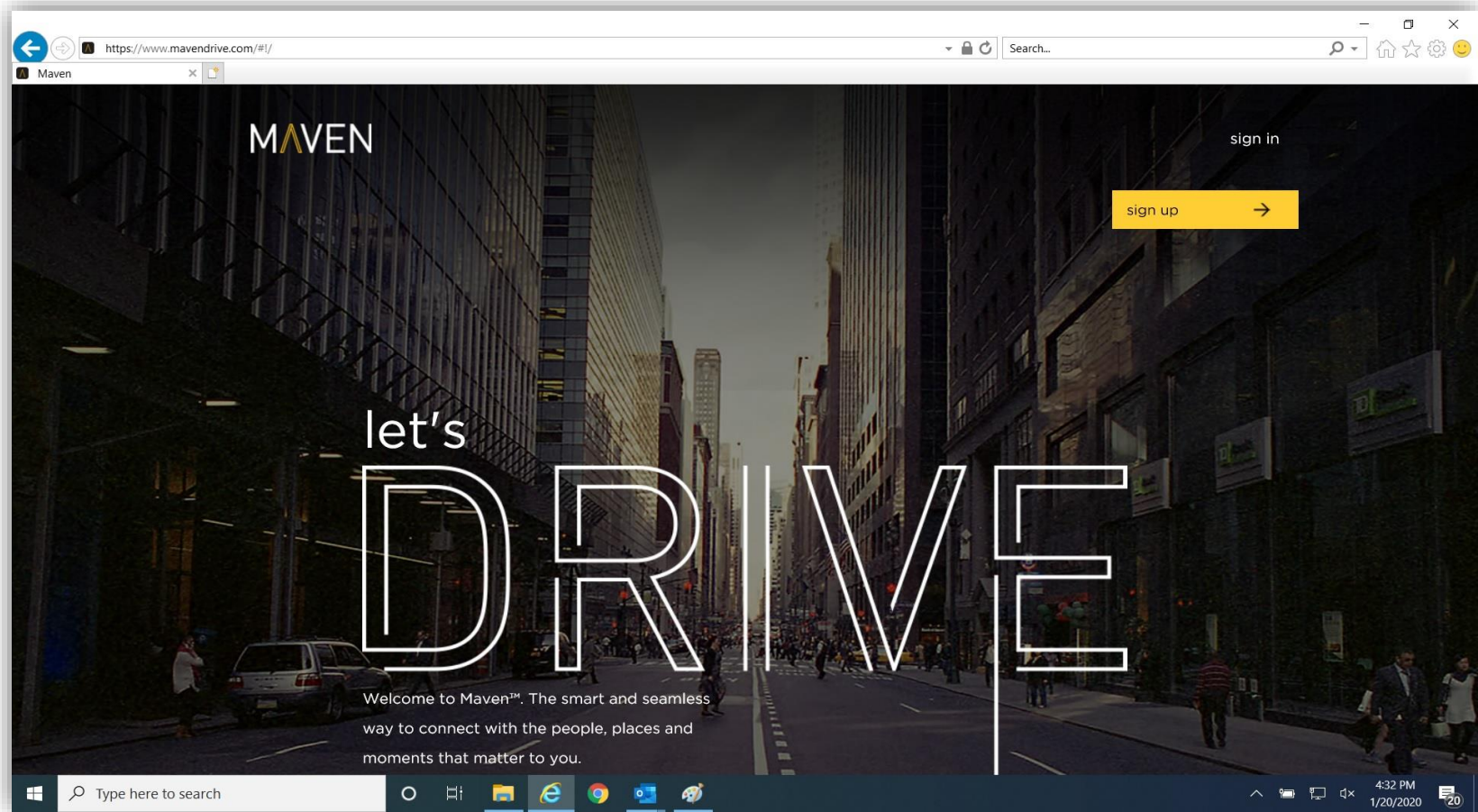
Avail provides collision insurance coverage that helps pay to repair or replace the vehicle if it's damaged in an accident with another vehicle or object, such as a fence or a tree.

- **As an owner**, this coverage will help pay to replace or repair the damages to your vehicle if it is involved in a collision while being borrowed
- **As a driver**, this coverage will help pay to replace or repair the damages to the vehicle if it is involved in a collision while you are borrowing it.

Non-accident related replacement and repairs

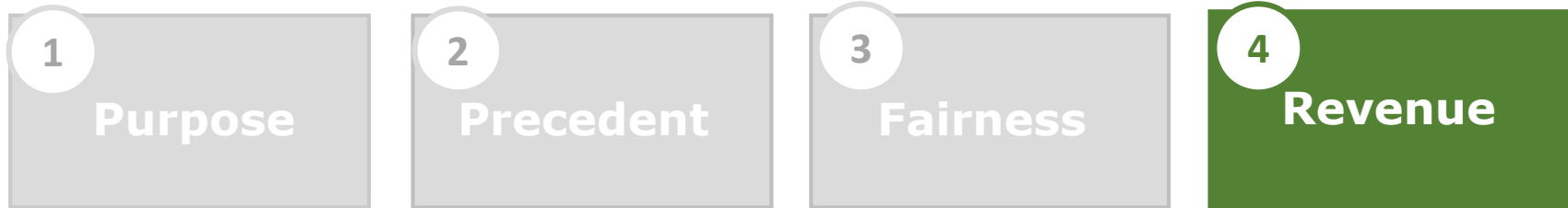
Avail has comprehensive insurance coverage that helps pay to replace or repair the vehicle (minus the deductible for drivers) if it's stolen or damaged

P2P RENTAL COMPANIES (VEHICLE MANUFACTURER ENTRANT)



REVENUE

Maryland collects a substantial amount of revenue annually from the Sales and Use tax on short-term rentals.



In FY'19, Maryland collected approximately \$76 million from rental car Sales and Use tax revenue.

- TTF (45%)
- Chesapeake and Atlantic Coastal Bays Trust Fund

Maryland will lose considerable revenue if it does not equalize the Sales and Use tax rate for the entire rental car industry.

- P2P rental companies continue to grow, which is welcome.
- P2P companies and incumbent rental companies compete for the same customers in the marketplace.
- P2P companies should no longer be afforded a competitive pricing advantage.