



EHI OPPOSITION to SB825

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**

Vs.

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)*

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

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



Online vs. In-Person

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).



Cost of Acquisition

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.



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

The screenshot shows a web browser window with the URL <https://www.getaround.com/>. The page features a navigation bar with a search field and icons for home, star, settings, and a smiley face. The main content area is titled "Rent cars near you" in purple, with the subtitle "Convenient hourly and daily rentals. Insurance included." Below this, there are six car categories, each with a representative image and a label:

- Sedan / Coupe**: A red sports car.
- SUV / Jeep**: A blue SUV.
- Hatchback / Wagon**: A white hatchback.
- Convertible**: A silver convertible car.
- Minivan**: A silver minivan.
- Pickup Truck**: A dark grey pickup truck.

At the bottom of the page, there is a purple banner with the text "Own a car? Share on Getaround and earn \$1000s." and a white button labeled "Start earning". The Windows taskbar at the bottom shows the search bar, task view, and several application icons, with the system tray displaying the time as 4:26 PM on 1/20/2020.

P2P RENTAL COMPANIES



The screenshot shows the TURO website interface. At the top left is the TURO logo. On the right side of the top navigation bar 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, brown 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. A search bar is positioned in the center, containing three input fields: "Where" with the placeholder "City, airport, address, or hotel", "From" with the date "01/22/2020" and time "10:00 AM", and "Until" with the date "01/25/2020" and time "10:00 AM". A green search icon is on the right of the search bar. Below the search bar, the text "INSURANCE PROVIDER" is centered above 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 on the right displaying the time "4:21 PM" and date "1/20/2020".



P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)

The screenshot shows a web browser window with the URL <https://flarecar.com/>. The page features the Flare logo with the tagline "protected by Allstate". A navigation menu includes "About Us", "How it Works", "Contact Us", and "FAQs". The main headline reads "Get back on the road", followed by a descriptive paragraph and a prominent "Book Now" button. The background is a colorful illustration of a winding road with a car, mountains, and a sun.

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 website's navigation menu includes 'Borrow a Car', 'Park & Share', and 'Insurance by Allstate'. The main content area is titled 'Protected By Allstate' and features a heading 'Your car is protected by Allstate'. Below this, there is a paragraph explaining the insurance policy. The page is divided into two columns: 'How it works' and 'Accident-related replacement and repairs'. The 'How it works' section includes a sub-heading 'Keep in mind' and a paragraph about coverage requirements. The 'Accident-related replacement and repairs' section includes a list of two bullet points: 'As an owner' and 'As a driver'. The bottom of the screenshot shows the Windows taskbar with the search bar and several application icons. The system tray in the bottom right corner displays the time as 4:37 PM and the date as 1/20/2020.

https://availcarsharing.com/protected-by-allstate

Allstate-Insured Car Rental ... x

Borrow a Car Park & Share Insurance by Allstate

Avail
protected by Allstate

[← 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.

What does the coverage provide to both owners and

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.

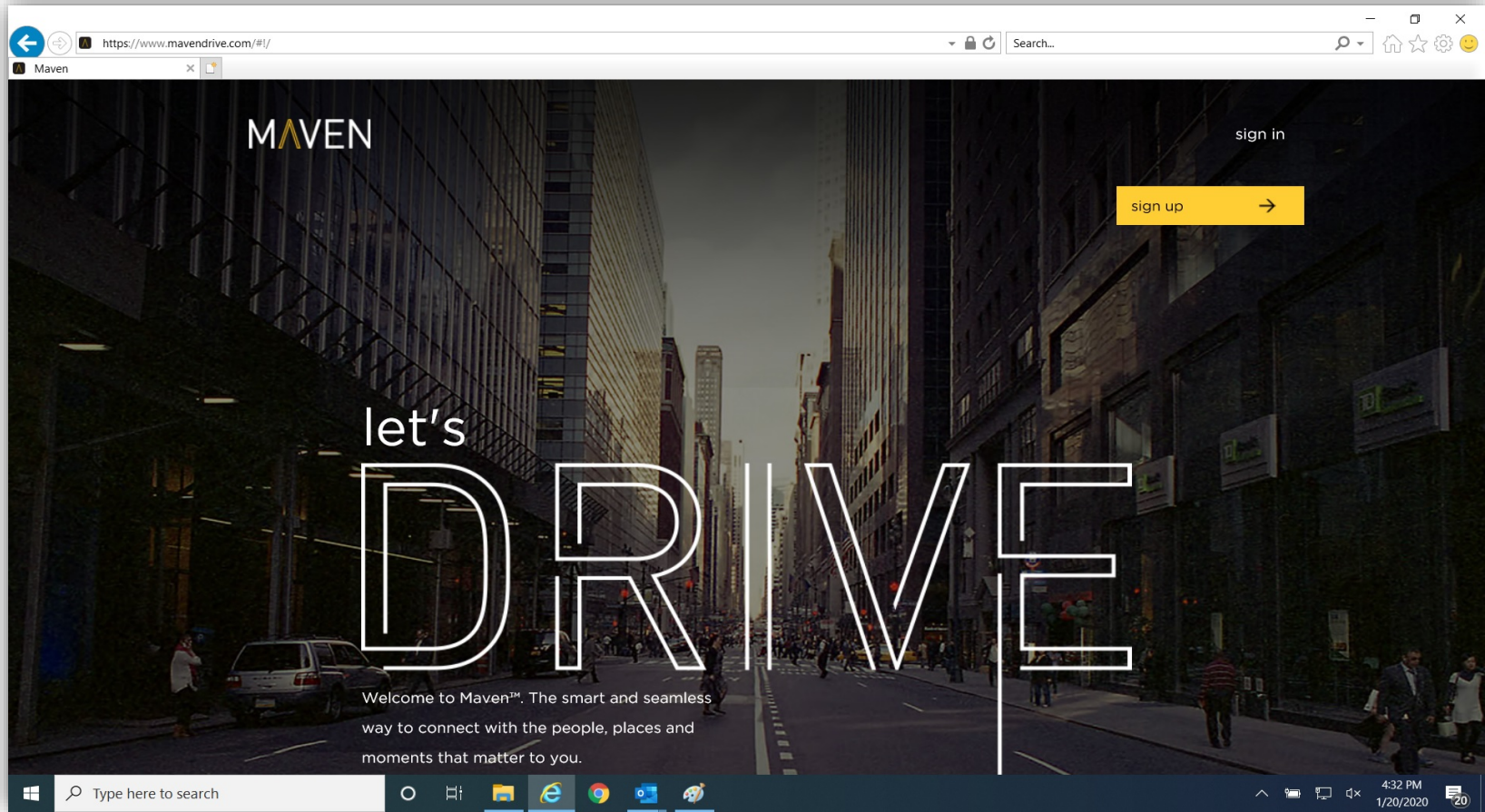
Non-accident related replacement and repairs

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

Type here to search

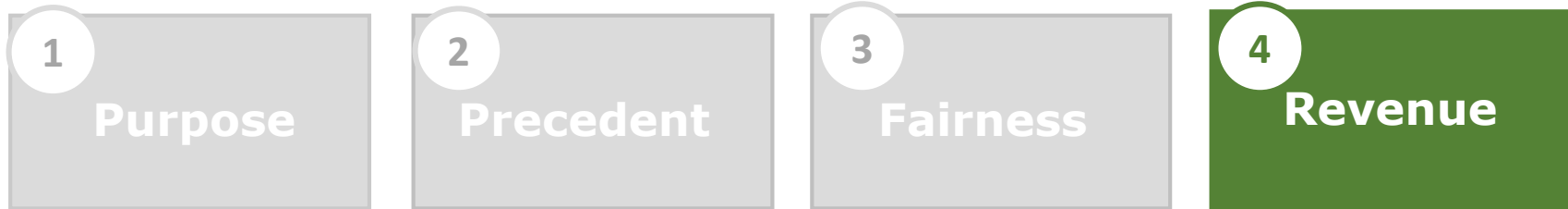
4:37 PM
1/20/2020

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.