

SB825 Testimony - Turo Inc

Uploaded by: DiPietro, Chris

Position: FAV

Maryland Senate Budget and Taxation Committee
Wednesday February 19, 2020
Testimony of Michelle M. Peacock
Vice President and Head of Government Relations Turo, Inc.

**SB825 – Sales and use Tax – Peer to Peer Car Sharing – Sunset Repeal and Rate Alteration
FAVORABLE**

Background:

In 2018, the Maryland legislature enacted SB743, a ground-breaking piece of legislation that marked the first thorough and modern peer-to-peer car sharing regulatory framework in the country. The legislation outlined the rules under which a peer-to-peer car sharing platform might operate in Maryland while properly protecting the interests and outlining obligations of car owner host customers, driving guest customers, the insurance industry and the peer-to-peer car sharing platform providers.

Peer-to-peer car sharing is conducted between a car owner and a guest customer who meet on an online platform and make arrangement to share a car. The platform does not own any cars, and the host makes all the decisions about what car to share, how the key exchange will work, how many miles the guest can drive, pricing, delivery and any extras. The platform charges a percentage of the transaction, often around 25%, and provides the insurance protections required by the law.

The one area that the 2018 legislation left unresolved had to do with the transaction tax on peer-to-peer car sharing. Lawmakers on the Senate Finance Committee in 2018 may recall the contentious debate about the transaction/sales tax – with the rental car industry pushing for “parity” on the tax and claiming peer-to-peer car sharing taxes must be taxed identically to rental car at 11.5%. The peer-to-peer car sharing industry, pointing out the millions of dollars in sales tax exemptions that are not extended to their customers, claimed it was inappropriate to tax identically and offered to facilitate the collection and payment of the state standard sales tax of 6%.

Unfortunately, in 2018 the rental car industry continued to oppose this plan until they secured an 8% tax to be placed on peer-to-peer transactions in exchange for their neutrality on the legislation. There was no substance to that figure, no data to back it up, no explanation about how it arrived at that rate. Given the all the work that went into the bill that year, the committee took the path of least resistance – granting the rental car industry what they wanted and codified the 8% rate. The 8% peer-to-peer tax rate is scheduled to sunset in June 30th of this year.

Where does that leave us today? The disproportionately high rate of 8% has had a chilling effect on the peer-to-peer car sharing industry in Maryland, especially when considering the rapid growth of the business in neighboring states of Pennsylvania, New Jersey and Virginia.

The business is growing in all of the markets, but Maryland's growth 5-10 points slower than neighboring markets. The only difference between the markets is this very high tax.

The negative effect of too-high taxes on the growth of an emerging industry was documented recently in a report from the State of Colorado Department of Transportation, "2019 Emerging Mobility Impact Study." This 99-page study compares elasticity of demand by consumers of peer-to-peer car sharing and consumers of rental cars. It determined that while the rental car industry enjoys high inelasticity – that is, consumers will rent from them regardless of increased prices – the opposite is true for peer-to-peer car sharing. The study found the nascent industry suffers from very elastic demand – meaning that at higher consumer prices, the consumer will abandon peer-to-peer and obtain temporary use of a car from a rental car company. Certainly, this backs up what Turo has directly experienced in Maryland, a significant slowing of growth of the new peer-to-peer car sharing industry.

SB 825 suggest a 6% tax rate peer-to-peer car sharing. This proposed rate is consistent with tax rate at the standard state tax rate of 6%. As noted in the Fiscal and Policy Note for SB 573, Chapter 735 of 2019 specified that on June 30th the provision within the law dictating the 8% tax rate shall terminate and peer-to-peer car sharing programs will therefore be considered marketplace facilitators prompting the 6% state sales and use tax.

TinnaQuigley_FAV_SB825

Uploaded by: Quigley, Tinna

Position: FAV



Senate Bill 825 – Sales and Use Tax –Peer-to-Peer Car Sharing – Sunset Repeal and Rate Alteration
Senate Budget and Taxation Committee
February 19, 2020

Position: Support

Avail is a peer-to-peer car sharing company that is backed by Allstate. It allows car-owners to share their cars with drivers in need of convenient, affordable transit options. Peer-to-peer car sharing is a way for individual car owners to earn extra income and for individuals to access a broadly accessible transit option. Car sharing gives Maryland communities a solution to mobility needs, including offering rural populations accessible transportation where public transit is not an option. By using existing personal vehicles, car sharing has also been shown to reduce traffic congestion.

In 2018, Maryland was one of the first states in the country to pass comprehensive legislation regulating the peer-to-peer car sharing industry. [Senate Bill 743 \(Chapter 852 Acts of 2018\)](#) provided for what must be included in car sharing agreements, including disclosures about rates, fees, and insurance costs; required peer-to-peer car sharing programs that sell insurance in connection with, and incidental to, the reservation of a car sharing vehicle, to hold a limited lines license from the Insurance Commissioner; provided for insurance requirements, including the rights and obligations of insurers; and provided for safety and inspection requirements for vehicles registered on a car-sharing program. The 2018 law also provided that peer-to-peer car sharing programs are not considered rental vehicles and, therefore, are not subject to the State laws governing rental vehicles. Use of a shared motor vehicle through a peer-to-peer car sharing program does not constitute a commercial use solely on the basis that the motor vehicle is available for sharing or used through a peer-to-peer car sharing program. The law also set the sales and use tax for peer-to-peer car sharing at 8%, with a termination date of June 30, 2020 for the sales and use tax.

Before setting a permanent tax rate for peer-to-peer car sharing, the 2018 law required the Motor Vehicle Administration and Office of the Comptroller to compile data that could assist the General Assembly in setting a fair tax rate for peer-to-peer car sharing.

In its report, the MVA provided a summary of taxes and fees paid by vehicle owners, shared vehicle owners, and short-term rental vehicle owners. Peer-to-peer car sharing owners are the only group that pays double taxation. Shared-vehicle owners pay: (1) the up-front sales tax and (2) sales tax on the use of their vehicle. Everyday vehicle owners do not pay taxes on the use. Short-term rental companies do not pay tax up front. Accounting for both of these categories, the taxes under Senate Bill 825, would be for car-sharing owners, $6\% + 6\% = 12\%$ to the short-term rental rate of 11.5%.

All that we ask is that the State treat the average Maryland car-sharer with a fair tax rate. To do anything else would be to unfairly advantage large out-of-state rental corporations over everyday Marylanders.

For these reasons, we urge a **favorable** report.

EHI_UNF_SB825_P2P_Parity

Uploaded by: DeRose, John

Position: UNF



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" (red car), "SUV / Jeep" (blue SUV), "Hatchback / Wagon" (white hatchback), "Sedan / Coupe" (white convertible), "SUV / Jeep" (silver SUV), and "Pickup" (grey pickup truck). At the bottom, a purple banner contains the text "Own a car? Share on Getaround and earn \$1000s." and a "Start earning" button. 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.

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 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, wooded landscape. Overlaid on this image is the headline "Way better than a rental car" in a large, white, serif font, followed by the sub-headline "Book unforgettable cars from trusted hosts around the world" in a smaller, white, sans-serif font. Below the text is a search bar with three input fields: "Where" (with a placeholder "City, airport, address, or hotel"), "From" (with a date and time "01/22/2020 10:00 AM"), and "Until" (with a 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 page, there is a white box with the text "INSURANCE PROVIDER" and the Liberty Mutual Insurance logo. The browser's address bar shows the URL "https://turo.com/?utm_source=bing&utm_medium=cpc&utm_campaign=bs:brand:root:usa:d+379435587&utm_term=root:exact+kwd-76691087320952:loc-190+...". The Windows taskbar at the bottom shows the search bar, task view, and several application icons, with the system tray displaying the time "4:21 PM" and date "1/20/2020".



P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)

https://flarecar.com/

Flare

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)

Browser address bar: <https://availcarsharing.com/protected-by-allstate>

Navigation: Borrow a Car | Park & Share | Insurance by Allstate

Avail logo: 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.

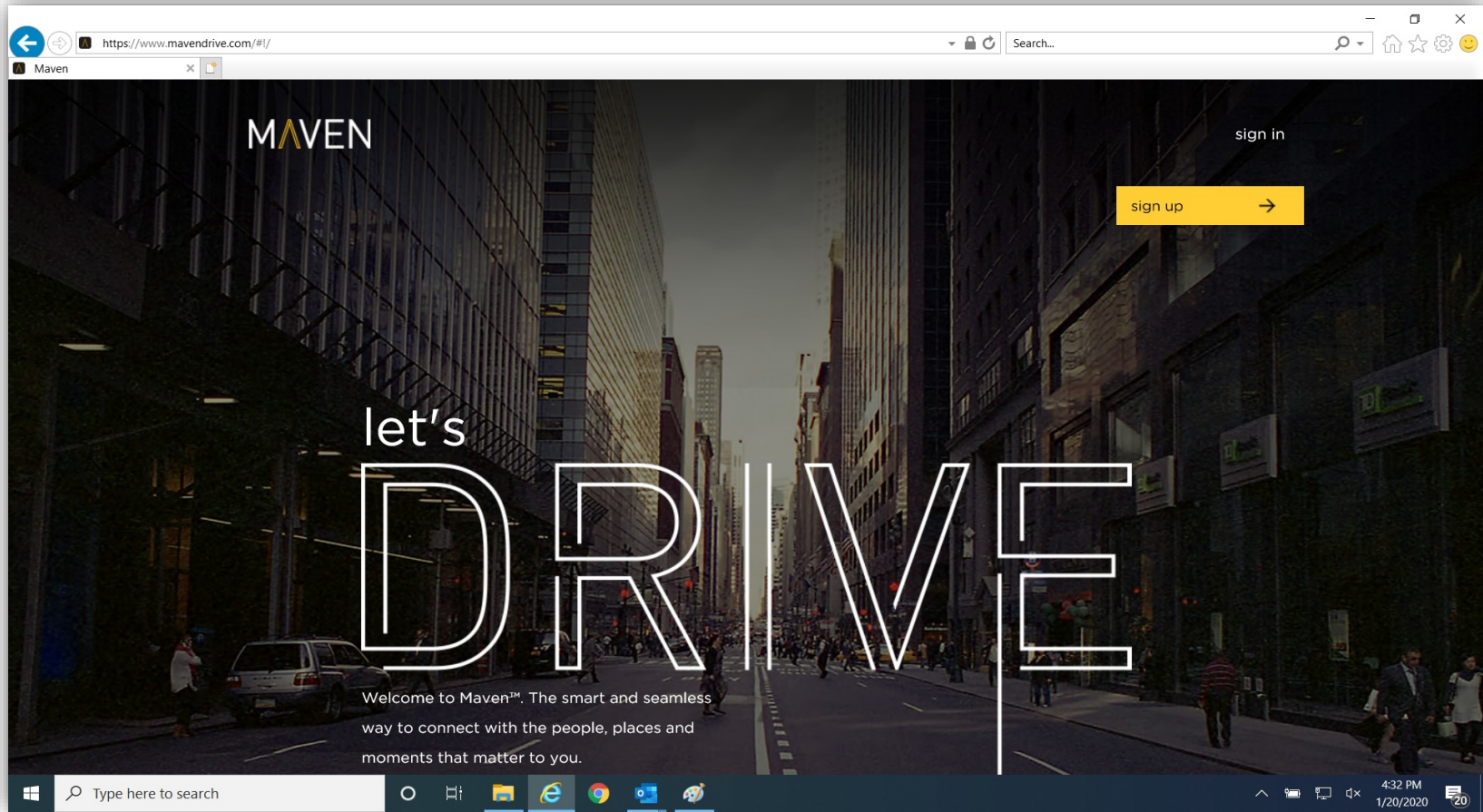
- **As an owner**, this coverage will help pay to replace or repair the damages to your vehicle if it is involved in a collision while being borrowed
- **As a driver**, this coverage will help pay to replace or repair the damages to the vehicle if it is involved in a collision while you are borrowing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

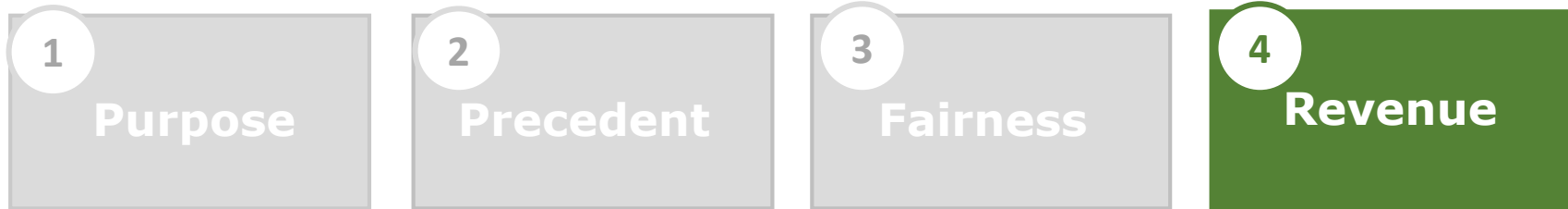
Windows taskbar: Type here to search | 4:37 PM | 1/20/2020

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.

EHI_UNF_SB825_Screenshots

Uploaded by: DeRose, John

Position: UNF



EHI OPPOSITION to SB825

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

P2P Company Screenshots

Budget and Taxation
Committee

February 19, 2020

P2P Screenshots

P2P companies argue that Maryland should not impose the same sales tax on consumers obtaining the use of vehicles on their platforms as the state does for consumers obtaining a vehicle from incumbent rental car companies, in part because **they are:**

→ ***not*** renting cars;

→ ***not*** in the rental car industry;

→ ***not*** direct competitors to incumbent rental car companies; and

→ ***not*** seeking rental car customers...

TURO

turo



**"This car rental service will
make your next trip so easy"**

elite daily



Install Now



**Toyota car rental alternatives near
Baltimore/Washington
International
Thurgood
Marshall Airport**

Where
City, airport, address, or hotel

From
02/18/2020 10:00 AM

Until
02/25/2020 10:00 AM

Search for cars

United States → Car rental alternatives → BWI → Toyota

**Top cars in Baltimore,
Baltimore/Washington International
Thurgood Marshall Airport**



Toyota Camry 2014
4.9 ★ (135 trips)



Turo - Better Than Car Rental

Turo Inc.



GET — On the App Store

[View](#)



[Learn more](#)

[Sign up](#)

[Log in](#)



Way better than a rental car

Book unforgettable cars from trusted hosts around the world

Where

City, airport, address, or hotel

From

02/19/2020



10:00 AM



Until

02/22/2020



10:00 AM



Search





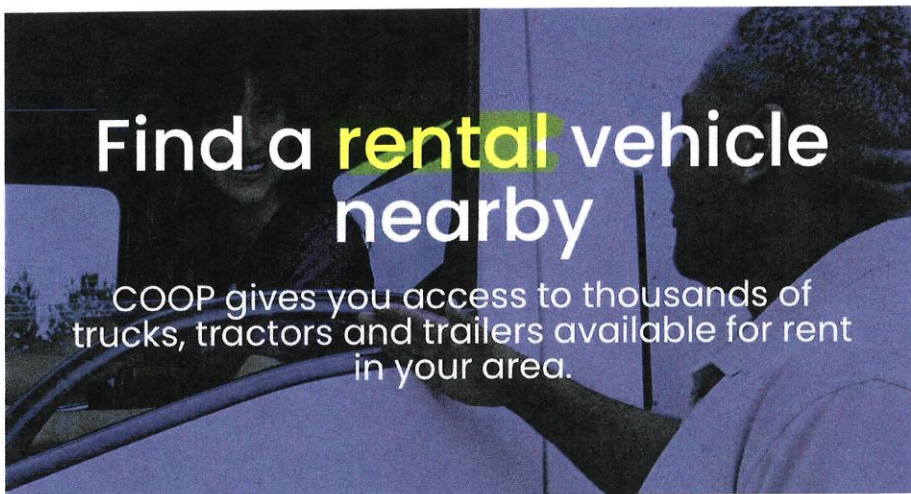
List your truck

Sign In

Register



1-877-747-5352



Some of our featured vehicles



\$55 • Per Day



2013 Isuzu NPR HD

16' Box Truck

Find a Truck





List your truck Sign In Register

A better way to rent trucks



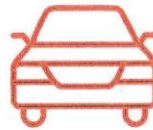
Competitive rental rates



Large inventory of vehicles



24/7 roadside assistance included



Free UBER ride to your pick-up location

Safer rental with our insurance options

Bring your own coverage or choose COOP's physical damage and \$1M liability policy.

Insurance Provider



ASSURANT®

Brought to you by Marsh

Find a Truck





Instagram



shareavail
Sponsored



Always Easy

Skip the rental lines, get your car, & hit the road faster.



AvailSM
protected by Allstate®

Book Now



2 likes

shareavail Lower prices than rental car companies. No surprise fees, gas markups, or under-25 fees.





Get your replacement car

CHOOSE YOUR BOOKING DATES:

Booking Start Date
Feb 18, 2020

Booking End Date
Feb 18, 2020

FILTER:

All Categories 



2017 Chevy Malibu (White)



Instantly rent cars near you.

Unlock from your phone by the hour or day.



Continue with Facebook



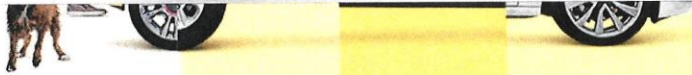
Continue with Google



Own a car?

Start earning





Rent cars near you

Convenient hourly and daily rentals. Insurance included.



Sedan / Coupe



SUV / Jeep

Verizon LTE

2:24 PM

45%

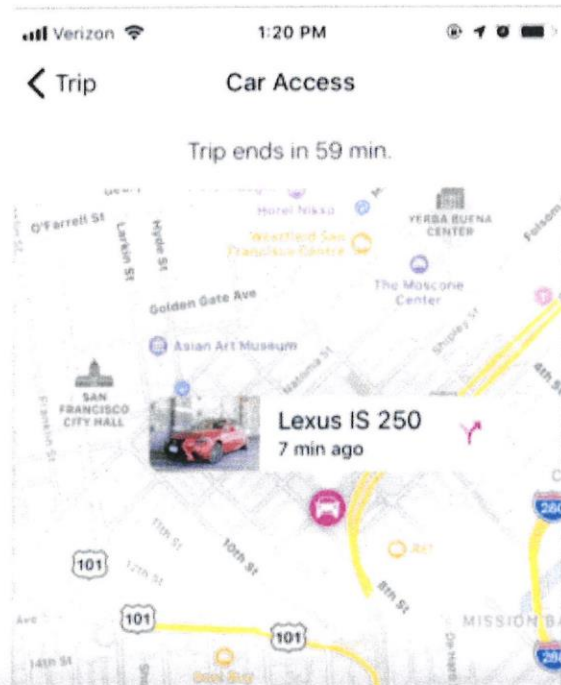
getaround.com

Getaround Connect® technology helps you locate and unlock the car with your phone.

Feel great

Carsharing reduces parking stress and the raw material used in car manufacturing. That's good for your neighborhood and the environment.

Rent a car



Verizon LTE

7:50 PM

18%

AA

maven.com



X



Maven – Car Sharing
General Motors Company
★★★★★
GET — On the App Store

View

MAVEN CAR SHARING

New Cars, Loaded with Technology
Free lifetime membership.

Download on the App Store

ANDROID APP ON Google play

SIGN UP

The banner features a background image of a modern building's facade with a grid of windows. The text is centered and white. There are two app store download buttons and a yellow 'SIGN UP' button. At the bottom, there are two small white dots, one of which is highlighted in blue.

Own a Car? List Your Car. Rent It Out. Earn Money.



Instagram

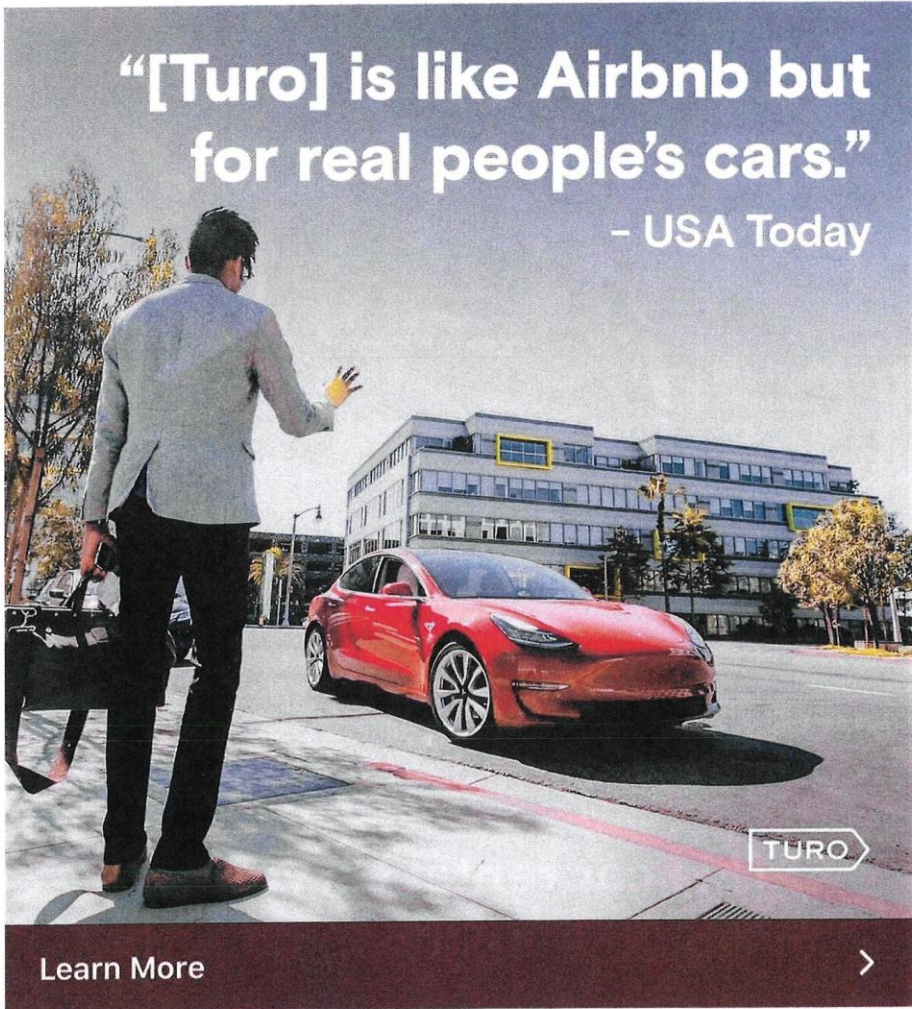


view all 100 comments

12 hours ago



turo
Sponsored



398 likes

turo See how car owners can average \$706/month without





If P2P companies are not in the car rental business then what business are they in?