

MD Testimony Support SB688.pdf

Uploaded by: Bertuca, Louis

Position: FAV



February 17, 2021

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

SB688 Sales and Use Vehicle Excise Taxes Peer-to-Peer Car Sharing and Short-Term Vehicle Rentals - Alterations and Distribution

FAVORABLE

Mr. Chairman, Senator Hayes and members of the committee, my name is Louis Bertuca and I am the Senior Director of Government Relations at Turo.

Turo is a peer-to-peer car sharing platform that connects car owners (Maryland citizens) with people in need of a car. We are a small business with about 300 employees worldwide.

We are here today to voice strong support for SB688. SB688 is a bill of fairness at its core. The bill creates a dedicated revenue source for Maryland Historically Black Colleges and Universities which have long been unjustly underfunded by the state. This underfunding has long been justified by the tired old saying, "we do not have any money right now." Quickly followed by an empty pledge to remedy the inequity in the future.

Part of the reason the state of Maryland claims to have a difficult time finding resources for these institutions of excellence is because misplaced priorities-- In this case a corporate handout that has cost Maryland taxpayers hundreds of millions of dollars.

We are talking about traditional rental car companies avoidance of paying titling tax in the state of Maryland.

History of Car Rental Company Tax Policy in Maryland

Since the early 1990s, Maryland has given rental car companies a full exemption from the titling tax due upon purchase of a vehicle. In exchange for this extraordinarily generous subsidy, the State imposes a special 11.5% tax on rental transactions. At the time this framework began, advocates from the rental car industry claimed, preposterously, that this special deal would be "revenue neutral" for the State. Some voices at the time like the department of transportation

pointed out that giving the special titling tax exemption to the rental car industry would be so expensive that even an increase in tax on rental car transactions would never offset the negative impact to the state's coffers. Maryland's Comptroller estimates that in recent fiscal years, the rental car companies' exemption from titling tax results in an annual loss of \$84 million from the State's coffers. Reliable recent estimates from the Board of Revenue Estimate peg the State's receipts from the 11.5% sales tax on rental car transactions at approximately \$30 Million. Far from being "revenue neutral", what the rental car industry actually accomplished was to push the state into giving profitable out-of-state multi-billion dollar corporations a net tax subsidy that currently results in a net loss of roughly **\$50 MILLION PER YEAR**.

"Justification" for Corporate Tax Giveaway - Sale for Resale

The typical justification that big rental car companies offer for not having to pay taxes when purchasing cars for their rental fleets is that they are entitled to a "sale for resale" exemption. But as I will discuss below, extending the "sale-for-resale" exemption to benefit rental companies purchasing motor vehicles for rental fleets stretches the logical and legal boundaries of the exemption so much as to render it unrecognizable.

Some context is appropriate. The sale for resale exemption is a common feature of state sales and use tax statutes. The basic rationale for exemption is to deal with the situation in which a traditional retailer is making a purchase of inventory for their retail outlet from a wholesaler that is strictly for the purpose of resale. The sales tax will be collected by the retailer at the time of the retail sale. By exempting the wholesale transaction from the sales tax, a state avoids the "pyramid" effect of double taxation - once at the time of acquisition from the wholesaler and again at the time of retail sale. The economic rationale is that the sale for resale exemption mitigates the price impact to the consumer. The policy justification is that the retailer, in this example, is purchasing tangible personal property not for the retailer's own use or enjoyment but merely for the purpose of stocking store shelves so that the items can be resold to customers.

The Emerging Trend Among States

In recent years, lawmakers in State capitols across America have become increasingly aware of the devastating impact that massively subsidizing the rental car industry through exemptions from taxes normally due at the time of vehicle purchase has on State budgets.

Maryland is not the only state in righting this wrong. States around the country are looking into closing this loophole. Most recently a bill in Massachusetts, Rep. Lawn has gone after this historic error in legislative judgement by introducing H 2530 last year and passing it through the House chamber.

In an August 12, 2020 decision in the case of *EAN Holdings v. Oregon Department of Revenue*, TC 5337 (2020), the Oregon state appellate court for taxation denied Enterprise Rent-A-Car's claim to be exempt from taxes on the purchase of vehicles.

In its decision, the court rejected Enterprise's claim that its purchases of vehicles for its rental fleet should be considered exempt non-retail sales for resale because Enterprise purchases the cars in order to rent them to third parties. The court highlighted a key factual concession from Enterprise, which is also relevant here in Maryland: "Taxpayer **'does not acquire vehicles for the purpose of engaging in transactions in which it transfers title to the vehicles to a customer.'**" [emphasis added]. In other words, EAN did not acquire title to the vehicles at issue in order to turn around and immediately transfer title to another purchaser like the prototypical retailer. EAN, obviously, retained title to the vehicle as a revenue-generating asset.

In its analysis, the court highlighted a startling admission from Enterprise that is also highly relevant to this body's deliberations:

Taxpayer also asserts that, even under a definition of "at retail" that disregards the quantity of goods sold, Taxpayer is not the "ultimate consumer" of the vehicles it purchased. **Taxpayer does not seriously contend that it is not a "consumer" of the vehicles, a term that it acknowledges means one who "utilizes" or "uses" something.** (See *id.* at 3-4 (quoting Webster's definition of "consume" as to "utilize (an economic good) in satisfaction of wants or the process of production") (internal quotations omitted))." [emphasis added]

In this case, Enterprise has admitted that in acquiring vehicles for its fleet, it is engaged in the "use" of the vehicle and that, as such, it is a consumer of the vehicle. **This concession negates any rationale for Enterprise to be exempt from the tax upon the purchase of the vehicle.**

In the Oregon case, Enterprise introduced a extra-legal construct as part of a last-ditch effort to save its case, attempting to impose a self-serving and artificial legal distinction on the clear text of law to differentiate between a "consumer" and an "ultimate consumer." However, the court did not find such an approach to be even minimally plausible, much less persuasive:

"Rather, Taxpayer contends that it is not the "ultimate" consumer because it buys the vehicles for the purpose of allowing others to use them. However, the legislature did not use the word "ultimate"; that word appears only in the dictionary definitions. In the same sentence as the phrase "at retail," the legislature used the words "consumption" and "use" without the modifier "ultimate." See ORS 320.410(1). The court has concluded above that the legislature's intent in using the term "at retail" was to distinguish purchases "for resale." The court sees no need to determine the "ultimate" user or consumer of the vehicles, as among Taxpayer as licensor to customers, the rental customers as drivers, the secondary purchasers once Taxpayer decides to replace them, or the steel recycler at the end of their life. **It is sufficient that Taxpayer uses**

the vehicles and does not buy them for resale in the ordinary course of its business.” [emphasis added]

The court’s conclusion aptly notes that even if one accepts Enterprise’s claim to be a “consumer” but not an “ultimate consumer”, this is a distinction without any legal difference whatsoever. Establishing that Enterprise is a consumer who makes use of the vehicle they purchase is dispositive of the question. Enterprise’s desire to characterize a rental car customer as opposed to itself as the “ultimate consumer” of a vehicle that they purchase is irrelevant to the legal issue of their obligation to pay taxes at the time of purchase.

As Enterprise Rent-A-Car complains that peer-to-peer carsharing hosts are only charging 8% sales tax instead of their 11.5% they omit the tradeoff that they made in 1993-

Peer-to-peer carsharing hosts can not take the loophole for their car purchases thus putting them at a huge economic disadvantage compared to traditional rental. Enterprise wants to pass on all the burdens of traditional rental car without affording Maryland citizens sharing their cars the benefits.

Background on P2P Carsharing in Maryland

In 2018, the Maryland legislature enacted SB743, a ground-breaking piece of legislation that marked the first comprehensive and modern peer-to-peer car sharing regulatory framework in the country. The legislation established the ground rules for operating peer-to-peer car sharing platforms in Maryland. The legislation represented an equitable balancing of a number of important considerations: properly protecting the interests and outlining obligations of car owner customers (known also as “hosts”), driving customers (also known as “guests”), the insurance industry and the peer-to-peer car sharing platform providers.

Since enactment of SB743 in 2018, the peer-to-peer car sharing industry collaborated with the American Property and Casualty Insurers Association (APCIA) to draft model legislation that carefully and thoroughly creates a balanced approach to regulating peer-to-peer car sharing. Maryland’s groundbreaking legislation was the inspiration for many of the core elements of the national peer-to-peer car sharing model legislation. Indiana enacted comprehensive peer-to-peer legislation based upon the model in mid-2019. Subsequently, in December 2019, the Council of State Governments included the model in its Suggested State Legislation docket, further validating it as the default, consensus approach for regulating peer-to-peer at a state level.” In addition the National Council of Insurance Legislators (NCOIL) also adopted the negotiated model bill as the NCOIL model of proper regulation of the peer-to-peer car sharing industry. The broad adoption and endorsement of the model legislation as the preferred consensus regulatory framework represents a dramatic shift in the legislative landscape over the past two years. The hallmarks of that shift include (1) broad agreement that any legislative effort must clearly distinguish peer-to-peer from car rental; (2) peer-to-peer and car rental represent different business models and are therefore separate industry sectors; (3) any

consideration of tax policy in this arena must first acknowledge and take into account the enormous tax subsidies already accorded to the traditional brick-and-mortar rental car companies at the federal, state and local level, most prominently the exemption from sales (Titling) tax on the purchase of a vehicle - a tax subsidy that no peer-to-peer host enjoys.

Debate in Maryland in 2018 on the key issues flowed primarily from the rental car industry who supported competing legislation to regulate peer-to-peer car sharing as if it was rental car. It is important to note that in 2018 and to date, no traditional rental car company owns or operates a peer-to-peer car sharing business of any kind. A few operate fleet-owned car sharing, which is essentially a rental car business where the customer does not access the car at a rental car company-owned facility, but instead accesses the car from a corporate-managed parking space.

The peer-to-peer business model is fundamentally different than the rental car company model. Peer-to-peer car sharing is conducted between a car owner and a guest customer who meet on an online platform and make arrangements 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 rental car company sets the price of every car they rent to the public, while peer-to-peer car sharing platforms do not. It is the car owner host customer who determines the best price for their personal car and sets that price themselves in the listing.

The rental car industry owns millions of cars obtained at discounted wholesale rates. In Maryland, the rental car industry does not pay state excise tax on the purchase of those cars – a tax exemption benefit worth over \$84 million a year to the rental car industry.

Maryland residents who share cars on peer-to-peer car sharing platforms do not enjoy any of those remarkable financial benefits, because every single one has paid state excise tax on the purchase of the car and paid to title and register the car in the State of Maryland.

Despite these massive benefits, the rental car companies would have you believe that their very existence is in jeopardy unless the peer-to-peer car sharing industry is brought to “parity.” A brief review of the facts tells a very different story. Car rental companies are well on their way to a full economic recovery and they reported to the Wall Street Journal an uptick in leisure travel, an increase in the volume of bookings and plans to resume buying vehicles to update their fleets. Additionally, in 2020, the toughest year financially for nearly every industry, car rental companies ended the year with an estimated revenue of \$23.2 billion with the Avis Budget Group making a net profit of \$45 million in the third quarter, Enterprise Holdings buying vacant land next door to the headquarters for \$13.1 million and Hertz paying out \$16 million in retention bonuses to their CEO and senior managers.

Another difference between the two industries can be found in the costs of the consumer protections and liabilities and insurance obligations associated with the two different businesses. Insurance purchased by the peer-to-peer car sharing platform for their customers can cost as much as 60% of the final car sharing price. Contrast this with the car rental industry who only maintains a minimum amount of insurance and nearly no liability. In fact, in 2019 the State of Maryland enacted SB436/HB1003 that in a dramatic change in policy eliminated the mandate that the rental companies provide the primary coverage during the rental period. In so doing, the legislature dramatically reduced the rental industry's cost of operating and brought Maryland in line with most of the rest of the country in allowing the rental industry to rent out vehicles without any assurance that the driver of the rental vehicle carries even minimum state liability coverage should the driver cause an accident. This privilege is not extended to peer-to-peer car sharing industry. These costs of doing business are starkly different – and should factor into how the State of Maryland proceeds with respect to the transaction tax.

The one area left open for future discussion, however, 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 how to tax peer-to-peer transactions – 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, the rental car industry continued to oppose this sensible plan until they demanded and secured an 8% tax to be placed on their competitors. There was no substance to that figure, no data to back it up, no explanation about how it arrived at that rate. The committee was tired of the argument and took the path of least resistance – granting the rental car industry what they wanted.

Transaction Tax

This 8% rate is scheduled to sunset in June 2020. It was extended again last year until June 2021. It was the expectation of the bill sponsor, Sen. Mack Middleton, and other bill supporters, that after the sunset, and the information gleaned from the Comptroller and MVA reports, a case could be made to revert the rate to the state standard sales tax rate of 6%.

Where does that leave us today? Turo has properly collected and remitted the sales tax to the State of Maryland for transactions conducted on the platform. Our internal numbers clearly show that people (Maryland citizens) will not share their cars as frequently when they are put at the huge economic disadvantage of carrying the burden of traditional rental without being afforded the massive benefit they get by evading payment of tax on the purchase of the car. Enterprise Rent-A-Car knows this and that is why they are so aggressively trying to force these inappropriate taxes on to Maryland citizens. The easiest way to ensure parity is to end the practice of exempting rental car companies from having to pay a tax everyone else pays.

Sincerely,
Lou Bertuca
Sr. Director & Head of Government Relations

CC: Senate Budget and Taxation Committee Members

Senate Bill 688- Kennedy Corley.pdf

Uploaded by: Corley, Kennedy

Position: FAV

**Testimony in Support of Senate Bill 688: Sales and Use and Vehicle Excise Taxes –
Peer-to-Peer Car Sharing**

February 17th, 2021

Dear Chairperson Guzzone and Members of the Budget and Taxation Committee,

I am a student currently studying at Morgan State University, one of Maryland's four esteemed HBCUs. I am writing to you today to express my support for **SB 688**. Myself and many of my fellow students recognize that our Universities are not being provided adequate funding, especially in relation to other State Universities. For decades, schools like mine have been undervalued and treated unfairly by the University of Maryland System. Even after the courts proved what we already knew to be true, and the Maryland General Assembly passed legislation to rectify the injustice HBCUs in this state experienced, we are still being told we don't matter by the Governor's veto citing inadequate funding.

Contrary to this, we have been made aware that the State of Maryland takes an annual \$50-65 million dollar loss in revenue due to a titling tax exemption provided for huge car rental corporations. It is unconscionable that the State of Maryland would provide millions of dollars in tax exemptions to large companies whilst claiming it does not have the funds to devote to students like myself who have been undervalued for years. Those exemptions should be eliminated and those funds should be dedicated to funding HBCUs as outlined in the legislation passed last year. As a product of Maryland public schools from kindergarten until the present day, I have seen firsthand how the state prioritizes businesses and corporations over the education and resources that it provides to institutions that serve persons of color and/or low-income families. It is disheartening to see the disparities that we are faced with in order to get an education. Historically Black Colleges and Universities provide a safe space to learn and grow for students of various ethnicities and cultures. HBCUs are able to build leaders of the future with the resources that they are afforded now. But with funding that we deserve, the possibilities are limitless.

It is time that Maryland begins prioritizing education and equity over big business. If passed, this legislation will send a message to students all over the state like myself that our education matters. Maryland HBCUs are responsible for thousands of graduates, employees, and have a massive impact on our economy and society. It is time that our Universities receive the funding that it is entitled to. Morgan State University serves as a pillar of the Baltimore community and the state of Maryland at large. It is a home away from home to thousands of students across the world. This institution provides so much more to its students beyond academia. It instills a sense of pride, belonging, and ambition to every soul that it touches. I am so glad to attend Morgan

State and to have experienced what it has to offer. I am excited to see what the future holds for my illustrious institution and hope that more students are able to do so as well.

I respectfully request a favorable report on **SB 688**.

Sincerely,

Kennedy Corley

Kennedy Corley
Morgan State University

MD Rental Car Titling Tax Fact Sheet v2.pdf

Uploaded by: DiPietro, Chris

Position: FAV

Maryland Legislative History of the Rental Car Titling Tax

SB 193 (1981)

- Raised the retail sales tax for consumers who rent cars from 5% to 8%
- Provided a credit against the titling tax paid by rental car companies on fleet purchases

Fiscal Note

Sales Tax Increase	+\$903,000
Titling Tax Exemption	-\$855,000
Net Revenue to State	+\$48,000

SB 620 (1993)

- Exempted short-term rental companies from the titling tax
- Increased the retail sales tax rate to 10% for consumers who rent cars
- Department of Transportation warned of the "significant exemption" from the titling tax combined with overstating sales tax receipts

Fiscal Note

Trans. Trust Fund	+\$400,000
General Fund	-\$1,300,000
Net Revenue to State	-\$900,000

SB 620 represents our initial draft of a plan to ease the impact of the titling tax on this industry while holding the State revenues neutral.

-Written testimony by the Maryland Rental Car Coalition to the Budget and Taxation Committee, Feb. 19, 1993

Status of Rental Car Titling Tax Exemption in 2021

- Collection of short-term rental tax from consumers fail to recoup industry tax exemption as designed in 1981 and pitched by industry in 1993
- Annual revenue loss of \$84.4m (FY19 and FY20) from exemption from titling tax for cars purchased for fleets by rental car companies (*Comptroller's Tax Expenditure Report, FY20, pg. 36*)
- Annual revenue of \$34.4m (FY19) and \$31.6m (FY20) from 11.5% retail sales tax on consumer rental transactions (*Maryland Tax Board Report, Dec. 2020, pg. 34*)

Maryland State Revenue (FY19)

Rental Car Title Tax Exemption	-\$84,400,000
Consumer Retail Sales Tax Revenue	+\$34,400,000
Annual Net Revenue to State	-\$50,400,000

Willie Flowers

Uploaded by: Flowers, Willie

Position: FAV



NAACP

Maryland

STATE CONFERENCE

**SB-688
BUDGET & TAX
CHAIRMAN GUY GUYZONNE**

February 17, 2021

Good afternoon Mr. Chairman and members of the Senate Budget and Tax Committee, my name is Willie Flowers, President of the NAACP Maryland State Conference and I am here to testify in support of Senate Bill 688.

As you are aware the NAACP is the nation's oldest, largest and most widely recognized civil rights organizations in the nation. I am honored to testify before your committee, because the true priorities of a state are reflected in the budget of Maryland-not in the public proclamations of its officials. It is in this committee that policy gains the muscle to make social change because without funding, priorities become unfilled promises.

Senator Antonio Hayes has brought forth for your consideration through SB 688 an especially important opportunity to realign the tax policy of our state with the priorities of our citizenry. Eight years ago, the Maryland Courts judicially confirmed that Historically Black Colleges and Universities were underfunded and ordered a remedy; the legislature has worked hard to resolve this important matter, passing legislation last year only to have it vetoed because of financial constraints on the State budget. Again, this year, the legislature appears poised to put forth legislation for the Governor's consideration to resolve this dispute; however, HBCUs continue to be underfunded. One need to only tour the campus of Coppin State University and see its fifty-year-old student center or look at its wait list for student housing to see the impacts of underfunding.

During this time, while two governors and the legislature has struggled to find funding to stabilize and improve HBCUs, tax breaks to industries have largely remained intact. I fully understand how a tax break or exemption can spur economic investment and create jobs; however, these exemptions should be evaluated to ensure the State is getting the benefit of the bargain they negotiated. In the case of the rental car titling

tax exemption, which was promised to be cost neutral by industry lobbyists, has proven to be a \$0-68 million dollar loss in needed revenue to the State.

SB 688 simply says to an industry that generates tens of billions of revenues, that it is time to pay your titling tax like citizens do and will direct the revenue to help fund HBCUs. Government at its basic level should provide for the safety, health, and education of its citizens-it is the NAACP's belief that these priorities should never stand behind corporate tax exemptions.

On behalf of the NAACP Maryland State Conference, I urge your support of SB688.

MD - TechNet - SB688 P2P.pdf

Uploaded by: Gilrein, Christopher

Position: FAV



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February 17, 2021

The Honorable Senator Guy Guzzone, Chair
Senate Budget and Taxation Committee
Miller Senate Office Building, 3 West Wing
11 Bladen St., Annapolis, MD 21401

Re: TechNet Favorable support for SB 688 – Peer-to-Peer Car Sharing

Dear Chair Guzzone and members of the Committede,

On behalf of TechNet's member companies, I respectfully submit this letter of support for SB 688.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. Our diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over three million employees and countless customers in the fields of information technology, e-commerce, the sharing and gig economies, advanced energy, cybersecurity, venture capital, and finance.

Peer-to-peer car sharing platforms allow Maryland residents to offer up the use of their personal vehicles for a fee. They provide an innovative, flexible, and affordable mobility service in addition to opportunities for individuals to generate additional income by leveraging their personal vehicles. Unlike rental car companies, these platform operators do not own or operate a fleet of vehicles; they simply provide the marketplace for these transactions to take place. SB 688 appropriately recognizes this by clarifying these platforms' status as marketplace facilitators.

Innovation flourishes when policies allow new services and technologies the space to compete on a level playing field with incumbent industries. SB 688 will promote innovation and economic activity by properly classifying peer-to-peer car sharing platforms alongside other platform operators. SB 688 sends a message that Maryland is serious about allowing innovative industries to enter the marketplace without undue barriers.

The bill further encourages fair competition by normalizing the tax rate on all rental transactions at 8% while repealing an outdated tax loophole that exclusively advantages the incumbent rental car industry and costs the state of Maryland over \$76 million annually in foregone revenue.

In addition to predictable and even-handed regulatory structures, technology companies also require a pipeline of educated talent to thrive. By directing the revenues generated by eliminating the tax loophole on rental car fleets to funding Historically Black Colleges and Universities, Maryland will further cement itself as a leader in the innovation economy.

Thank you for your consideration of this testimony. We hope that SB 688 is reported favorably from committee. Please do not hesitate to contact me if I can provide any additional information or assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Chris Gilrein', with a stylized flourish at the end.

Christopher Gilrein
Executive Director, Massachusetts and the Northeast
TechNet
cgilrein@technet.org

SB 688 Testimony Sales and Use and Vehicle Excise

Uploaded by: Hayes, Antonio

Position: FAV

ANTONIO HAYES
Legislative District 40
Baltimore City

Finance Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony of Senator Hayes in Support of Senate Bill 688: Sales and Use and Vehicle
Excise Taxes – Peer-to-Peer Car Sharing

February 17th, 2021

Dear Chairperson Guzzone and Members of the Budget and Taxation Committee,

Time and time again, Historically Black Colleges and Universities ("HBCUs") in this state have been told that despite the importance of their mission, adequate funding is simply unattainable. Despite this, Maryland annually loses out on tens of millions of dollars in subsidies in the form of tax exemptions provided to large corporations - allowing them to escape their tax obligations at the expense of Maryland educational and social priorities.

SB688 represents an opportunity to correct legislation from nearly three decades ago in order to help provide supplemental funding for SB001.

The titling tax exemption for rental car companies was granted in 1993 with industry assurances that the industry would recapture lost revenue by collecting it through a larger rental car sales tax for consumers to be collected at the counter. **Large Car Rental Corporations would be exempt from paying the titling tax on purchasing new vehicles in exchange for an increase in the sales and use tax on rental vehicles from 8% to 10%, and then to 11.5%.** Over time, the value of the tax exemption on the *titling tax* has vastly outpaced the revenue generated by the increase in the *sales and use tax*. In 2020, nearly \$85 million dollars was forgone in taxes from the general fund due to this exemption, while the state only collected \$34 million in revenue from the sales and use tax- amounting to an **unintended annual \$50- \$65 million loss.**

SB 688 seeks to strike this tax exemption to recoup this \$50-\$65 million annually. It also creates a provision for this newly collected excise tax to be granted to the HBCU fund. In addition, **SB 688** will lower the sales and use tax on rental vehicles to the original 8% to match the rate established for peer-to-peer car sharing platforms - essentially leveling the playing field between the industries and removing the industries tax obligations from consumers.

The original legislation that codified the titling tax exemption was intended to be revenue neutral, according to legislative history. In the 27 years since this legislation passed, we have failed to audit and reassess the true impact of continuing to provide this exemption. In light of the underfunding of institutions so essential to the education of Maryland's Black community, removing the unanticipated windfall received by one industry simply makes sense and is an overdue true up for our State.

Allowing corporations who reap billions of dollars in profits to escape their tax obligations while HBCUs remain underfunded is paradoxical to the purpose and duty of this legislature. 20% of all Black graduates matriculate through HBCUs despite the fact that HCBUs comprise just 3% of this country's colleges and universities. As this Assembly seeks to evaluate legislation with heightened scrutiny to ensure equality and inclusion, SB 688 is an opportunity to turn public pronouncement to action in the best interests of Maryland's students.

I respectfully request a favorable report on **SB 688**.

Respectfully,



Senator Antonio L. Hayes
40th Legislative District - MD

MD SB 688 - Getaround Written Testimony (Support).

Uploaded by: Kelly, Gaston

Position: FAV



February 17, 2021

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

RE: SB 688 - Sales and Use and Vehicle Excise Taxes – Peer-to-Peer Car Sharing and Short-Term Vehicle Rentals – Alterations and Distribution - Support

Dear Chair Guzzone and Members of the Committee,

Thank you for the opportunity to provide our perspective on SB 688 and to express our support for this legislation.

Getaround is a connected and contactless car sharing marketplace. We use technology – a device called the Getaround Connect® installed in the car and a smartphone app – to connect safe, convenient, and affordable cars with people who need them to live and work – without ever having to coordinate schedules to meet in person and hand over keys. Though we currently do not operate in Maryland, we certainly would like to in the future.

On average, cars sit unused 22 hours a day – and that was before the pandemic. Car sharing – including through Getaround's car sharing platform – helps citizens earn extra money by allowing them to share their idle cars with members of their community. The extra money means a lot, especially in times like these.

Community members who choose to not own a car, cannot afford one, or need access to a different type of car than the one they own also benefit by getting on-demand access, by the hour or day, to convenient and affordable on-demand vehicles for trips where a car is the best option.

Car sharing also has environmental benefits. Studies show that sharing one car can take up to ten other cars off the road, which means fewer accidents, reduced traffic, and less space needed for roads and garages. The availability of shared vehicles can motivate car owners to use a wider range of mobility options rather than simply using their personal car for every trip. Car sharing enables some owners to give up their cars altogether. Car sharing can reduce household emissions by up to 40%.

In 2018 the Maryland Legislature passed comprehensive legislation establishing a regulatory framework for car sharing. As part of this effort, the legislature imposed a tax rate of 8% on peer-to-peer car sharing transactions. This rate is higher than the 6% state sales tax, but lower than the 11.5% tax on traditional rental car transactions. The difference in tax rate was an effort to create

parity due to the fact that traditional rental car companies are exempted from paying sales tax on the purchase of their vehicles. This is a privilege ordinary Maryland citizens who share their vehicles do not enjoy. With this tax structure set to expire this summer, Maryland has another opportunity to work towards creating parity between traditional rental car companies and peer-to-peer car sharing platforms.

SB 688 implements the same sales tax rate of 8% on both traditional rental car and peer-to-peer car sharing transactions. Further, the bill amends existing law to remove the exemption from paying sales tax on the purchase of vehicles that traditional car rental companies benefit from.

Achieving this parity will result in an estimated \$50 million in additional annual revenue for the state. SB 688 directs this additional funding to Maryland's 4 Historically Black Colleges and Universities in order to help these critically important institutions continue to work towards leveling their own playing field.

We appreciate the Legislature's interest in this issue and urge the Committee to support SB 688.

Best regards,

A handwritten signature in black ink, appearing to read "Gaston Kelly". The signature is fluid and cursive, with the first name "Gaston" and last name "Kelly" clearly distinguishable.

Gaston Kelly
Public Policy Manager
Getaround, Inc.
gaston.kelly@getaround.com

IA Letter - MD SB 688.pdf

Uploaded by: Marczyk, Bernard

Position: FAV



February 17, 2021

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West
Miller Senate Office Building
Annapolis, Maryland 21401

RE: Support for Senate Bill 688

Dear Chair Guzzone:

Internet Association (IA)'s mission is to foster innovation, promote economic growth, and empower people through the free and open internet. The internet creates unprecedented benefits for society, and as the voice of the world's leading internet companies, we ensure stakeholders understand these benefits.

IA strongly supports **SB 688** and urges your committee to issue a favorable report. This bill creates a level playing field between peer-to-peer (P2P) carsharing platforms and the rental car industry by eliminating a lucrative tax loophole for rental car companies and adding P2P carsharing to the tax rolls.

It is important to note that P2P platforms do not own, operate, buy, or sell any vehicles - or fleets of vehicles - in Maryland, and thus do not benefit from the extraordinary tax exemptions that traditional rental car companies enjoy. Current state law exempts rental companies from the 6% sales tax on the purchase of vehicles. **SB 688** would save the state nearly \$80 million annually by terminating that exemption.

The adoption of **SB 688** would also allow P2P platforms to contribute to the revenue needs of Maryland, while giving cash-strapped Marylanders experiencing an unprecedented period of economic turmoil the opportunity to supplement their incomes. As many Americans struggle to pay bills, especially car payments, the innovation provided by P2P carsharing creates a necessary lifeline for Maryland vehicle owners during the pandemic.

For these reasons, IA strongly urges a favorable report of this legislation.

Thank you for your consideration on this important issue and I welcome any questions you may have regarding IA's position on this bill. I can be reached at olsen@internetassociation.org or 518-242-7828.



Very truly yours,

A handwritten signature in black ink, appearing to read 'JOHN OLSEN'.

John Olsen
Director, SGA Northeast Region

CC: Senate Budget and Taxation Committee Members

SB688 - MD Motor Truck Association - Unfavorable.p

Uploaded by: Campion, Louis

Position: UNF



Maryland Motor Truck Association

9256 Bendix Road, Suite 203, Columbia, MD 21045

Phone: 410-644-4600 Fax: 410-644-2537



HEARING DATE: February 17, 2021

BILL NO/TITLE: Senate Bill 688: Sales and Use and Vehicle Excise Taxes – Peer-to-Peer Car Sharing and Short-Term Vehicle Rentals – Alterations and Distribution

COMMITTEE: Senate Budget & Taxation Committee

POSITION: Oppose

Maryland Motor Truck Association (MMTA) appreciates the effort to harmonize the sales tax rate on passenger rental cars and those vehicles used for peer-to-peer car sharing; however, the Association opposes this legislation because it will subject short term rental trucks to the excise tax (from which they are currently exempt) without offering them a similar reduction in the sales tax rate that is being given to rental cars. As it is drafted, the passage of this legislation will have a potential dramatic impact on the cost for a small company to rent a truck.

Under current law, the sales tax rate on short-term rental cars is 11.5%; on short-term trucks it is 8%. This difference was established because it was recognized by the General Assembly that typically rental car customers are from out-of-state, while truck rentals are almost always done by individuals or companies that are located in Maryland. All rental vehicles (both cars and trucks) are exempt from the excise tax (6%). Peer-to-peer cars are subject to the excise tax, but only pay an 8% sales tax.

SB688 attempts to harmonize the current 8% sales tax paid by peer-to-peer cars by applying the same 8% to rental cars (a reduction of 3.5% over what they are paying now). In exchange for the sales tax reduction on rental cars, all rental vehicles (including trucks) become subject to the 6% excise tax. For rental trucks who are already paying an 8% sales tax, they receive no reduction in the sales tax and would now also be subject to the 6% excise tax. Essentially rental trucks get hit with the excise tax even though they do not get the benefit of a reduced sales tax.

Without an amendment, the passage of SB688 will result in two impacts on truck rentals:

1. It will force rental companies to purchase and register their trucks in other states to avoid paying the excise tax; or
2. It will result in an increase in cost for those individuals and companies renting trucks, which are overwhelmingly small local businesses. 90% of the trucking industry operates three or fewer trucks.

Should the Committee choose to move forward with this legislation, we encourage the following amendment.

Amendment:

- On page 6, in line 25, delete “or”
- On page 6, in line 26, insert “(25) A rental vehicle that may be registered as a Class E, F, or G vehicle under Title 13, Subtitle 9 of the Transportation Article for a period of 180 days or less; or”
- On page 6, in line 27, delete “(25)” and insert “(26)”

This amendment would retain the bill’s primary intent of lowering the sales tax rate on rental passenger cars, harmonizing the rate between rental cars and peer-to-peer vehicles, and subjecting both types of vehicles to the excise tax while retaining the existing exemption for trucks.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a not-for-profit trade association representing the trucking industry since 1935. In service to its 1,000+ members, MMTA is committed to supporting and advocating for a safe, efficient and profitable trucking industry across all sectors and industry types, regardless of size, domicile or type of operation.

For further information, contact: Louis Campion, (c) 443-623-4223

SB-688 Testimony by Mike DeLorenzo NextCar.pdf

Uploaded by: DeLorenzo, Michael

Position: UNF

Opposed to SB-688

Budget and Tax Committee

Sponsor By: Senator Hayes .

By: Mike DeLorenzo President of NextCar Rental and Leasing

Email: Mike@nextcar.com mobile phone 240-417-2001 .

Opposed to SB-688

I have attached for your review a summary of how the current car rental tax system increases the tax revenues brought into the state treasury. I was closely involved back in 1994 with then Senator Amoss in proposing and then passing the current tax system. As you can see the average Maryland Resident Pays \$236 per year in excise tax while the average rental car pays 6 times more - \$1423 per year in taxes to the state.

The current tax system is the only system that will generate tax revenues when a car with out of state license plates is rented to a customer in Maryland. If the Senate passes SB-688 in its current form and goes back to the old system of taxing the purchase of rental cars bought only by companies operating in Maryland it will shift the tax burden to a much smaller population of market participants and in fact generate less tax revenues.

Please feel free to ask me any questions you have. Please vote unfavorable on this bill.

Sincerely

Mike DeLorenzo

Average Resident - Rental Car - Tax Comparison

	A	B	C	D	E	F	G	H	I
1	Data Source - Maryland Dept of Motor Vehicles Web Site								
2	Year	Month	New Vehicles Sold (Count)	Taxable Sales New Vehicles Sold	Average Tax per New Vehicle (D/C)*6%	Used Vehicles Sold (Count)	Taxable Sales Used Vehicles Sold	Average Tax per Used Vehicle (G/F)*6%	Avg Tax Paid Per Vehicle (New + Used) ((D+G)/(C+F)*6%
3	2020	JAN	27,704	\$1,045,539,743	\$2,264	57,577	\$727,641,906	\$758	\$1,248
4	2020	FEB	22,344	\$802,833,375	\$2,156	55,032	\$660,514,435	\$720	\$1,135
5	2020	MAR	23,873	\$853,033,479	\$2,144	58,963	\$734,371,921	\$747	\$1,150
6	2020	APR	13,700	\$495,796,657	\$2,171	29,420	\$372,792,902	\$760	\$1,209
7	2020	MAY	14,835	\$518,292,774	\$2,096	37,572	\$403,317,249	\$644	\$1,055
8	2020	JUN	23,704	\$821,297,823	\$2,079	63,395	\$699,671,992	\$662	\$1,048
9	2020	JUL	26,190	\$995,093,228	\$2,280	61,905	\$746,109,876	\$723	\$1,186
10	2020	AUG	27,372	\$1,033,767,509	\$2,266	59,328	\$696,083,170	\$704	\$1,197
11	2020	SEP	27,733	\$1,063,945,651	\$2,302	54,035	\$649,440,784	\$721	\$1,257
12	2020	OCT	24,777	\$937,336,920	\$2,270	49,328	\$596,988,709	\$726	\$1,242
13	2020	NOV	20,824	\$790,591,350	\$2,278	38,696	\$472,376,286	\$732	\$1,273
14	2020	DEC	13,315	\$520,466,711	\$2,345	26,736	\$265,465,411	\$596	\$1,177
15	Total	2020	266,371	\$9,877,995,220	\$2,225	591,987	\$7,024,774,641	\$712	\$1,182
16	Maryland Resident Effective Excise Tax Paid Per Year when Vehicle is Kept for 5 Years				\$445			\$142	\$236
17					Per Car Per Year over 5 Years			Per Car Per Year over 5 Years	Per Car Per Year over 5 Years
19	Average Maryland Car Rental Tax Paid ----> Per Vehicle Per Year				\$1,031	12	\$12,372	11.50%	\$1,423
20	Data Source - Auto Rental News Fact Book 2020 page 14				Industry Average Revenue Per Car Per Month	Months	Industry Average Revenue Per Car Per Year	Car Rental Tax Rate	Industry Average Tax Paid Per Car Per Year

Enterprise Econ Impact Model.pdf

Uploaded by: Dolloph, Andy

Position: UNF

Enterprise Rent-A-Car Economic Impact Model (2019 pre-COVID data)

Direct Economic Activity Associated with Rental Car Operations

Employment:	1,773
Payroll:	\$91,061,723
State & Local Payroll Taxes: (if applicable)	\$6,023,253
Property Taxes/Property Improvement:	\$857,502
Vehicle Based Taxes & Registration Fees:	\$4,356,666
State/Local Sales, Income, Business and other Taxes:	\$63,220,324
Total State & Local Tax Payments:	\$74,457,745
Charitable Donations:	\$1,397,135
Total Direct Activity:	\$166,916,603

Indirect Economic Activity Associated with Rental Car Operations

Indirect Employment:	1,823
Stimulated Household spending:	\$30,050,369
Total Indirect Activity	\$30,050,369

Total Estimated Direct and Indirect Economic Activity Associated with Enterprise Car Rental Operations:

\$196,966,972

Definitions:



Direct Activity: Activity directly due to Enterprise Operations; dollars spend directly by Enterprise branches or people employed at Enterprise branches.

Indirect Employment: The employment that exists because of the rental car establishment's presence, either by suppliers of the establishment or the jobs supported by the consumer spending of establishment employees

Stimulated Household Spending: The consumer spending stimulated by the presence of the establishment. When an Enterprise employee spends his or her salary at a local retail business, some of those dollars are re-circulated through the economy by the employees of those other local businesses.

Indirect Business Impacts: Revenue at other local businesses (ie, car dealers, repair facilities) that is due to their business relationship with Enterprise branches.

P2P Tax Parity Deck - SB688 - 2021.pdf

Uploaded by: Dolloph, Andy

Position: UNF



EH **OPPOSITION** of **SB688**

Sales and Use Tax and Vehicle Excise
Taxes – Peer-to-Peer Car Sharing and
Short-Term Vehicle Rentals – Alterations
and Distribution

Budget and Taxation Committee

February 17, 2021

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, 2021*

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.

1

Purpose

2

Precedent

3

Fairness

4

Revenue

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 displays the TURO website's homepage. The background features a scenic view of a winding road through a desert landscape with a white SUV driving towards the viewer. The TURO logo is positioned in the top left corner of the website header. 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 headline reads 'Way better than a rental car' in a large, white serif font, followed by the subtext 'Book unforgettable cars from trusted hosts around the world' in a smaller, white sans-serif font. Below this, there is a search bar with three sections: 'Where' (with a placeholder 'City, airport, address, or hotel'), 'From' (with a date and time selector set to '01/22/2020' and '10:00 AM'), and 'Until' (with a date and time selector set to '01/25/2020' and '10:00 AM'). A green magnifying glass icon is on the right side of the search bar. At the bottom of the website, 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 includes a search bar, task view button, and several application icons (File Explorer, Edge, Chrome, etc.). The system clock shows '4:21 PM' on '1/20/2020'.

P2P RENTAL COMPANIES

The screenshot shows a web browser window with the URL <https://www.getaround.com/>. The page features a header with navigation icons and a search bar. The main content area is titled "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), "Convertible" (white convertible), "Minivan" (silver minivan), and "Pickup" (dark 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 is visible at the bottom of the screen.

Rent cars near you

Convenient hourly and daily rentals. Insurance included.

Sedan / Coupe

SUV / Jeep

Hatchback / Wagon

Convertible

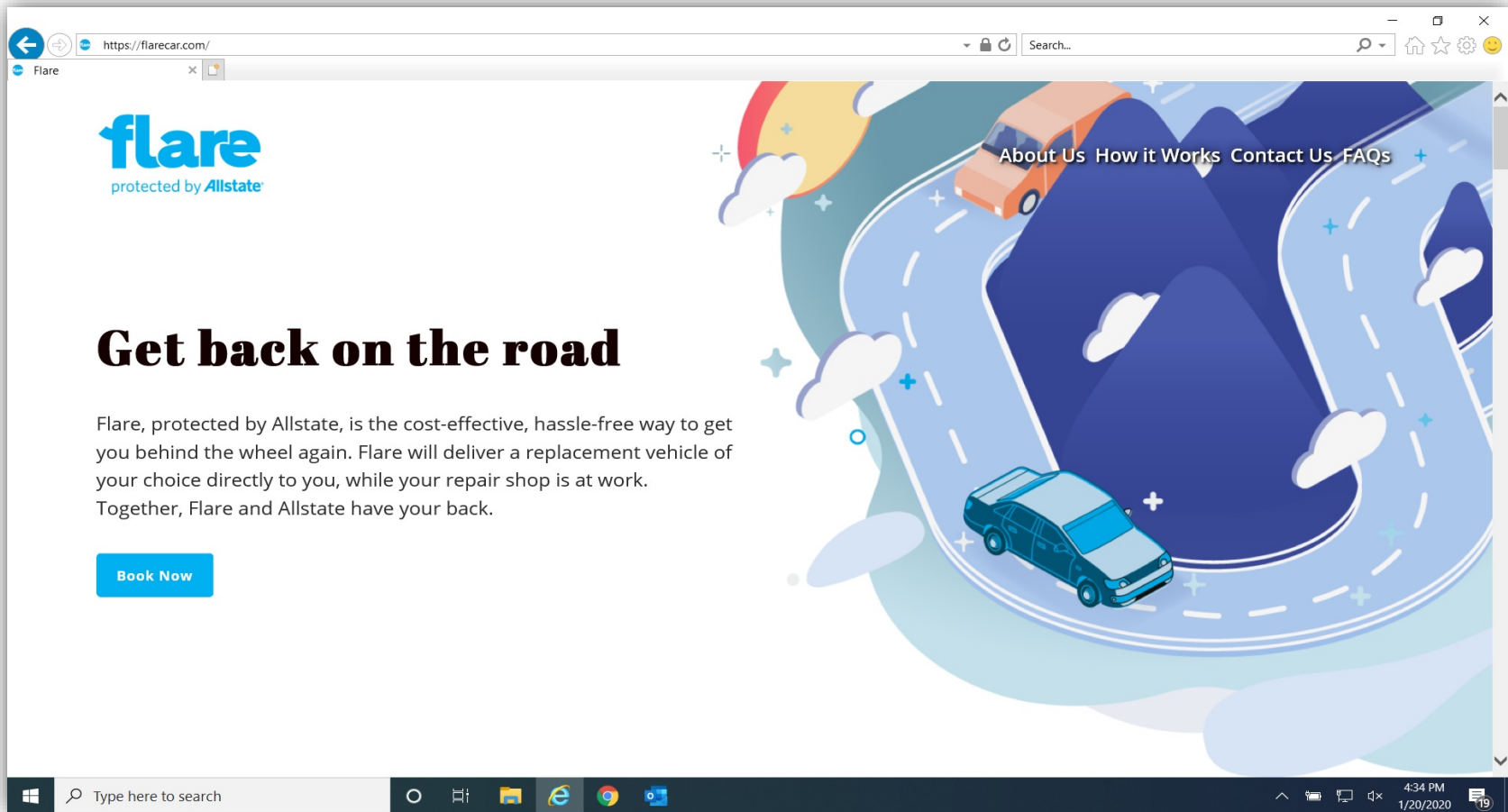
Minivan

Pickup

Own a car?
Share on Getaround and earn \$1000s.

Start earning

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, which includes the word "flare" in blue and "protected by Allstate" in smaller text. The main headline reads "Get back on the road". Below this, a paragraph states: "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 "Book Now" button is positioned below the text. On the right side of the page, there is a navigation menu with links: "About Us", "How it Works", "Contact Us", and "FAQs". The background of the page is a stylized illustration of a winding road with a blue car and an orange car, set against a backdrop of mountains, clouds, and a rainbow. The browser's address bar and search bar are visible at the top, and the Windows taskbar is at the bottom.

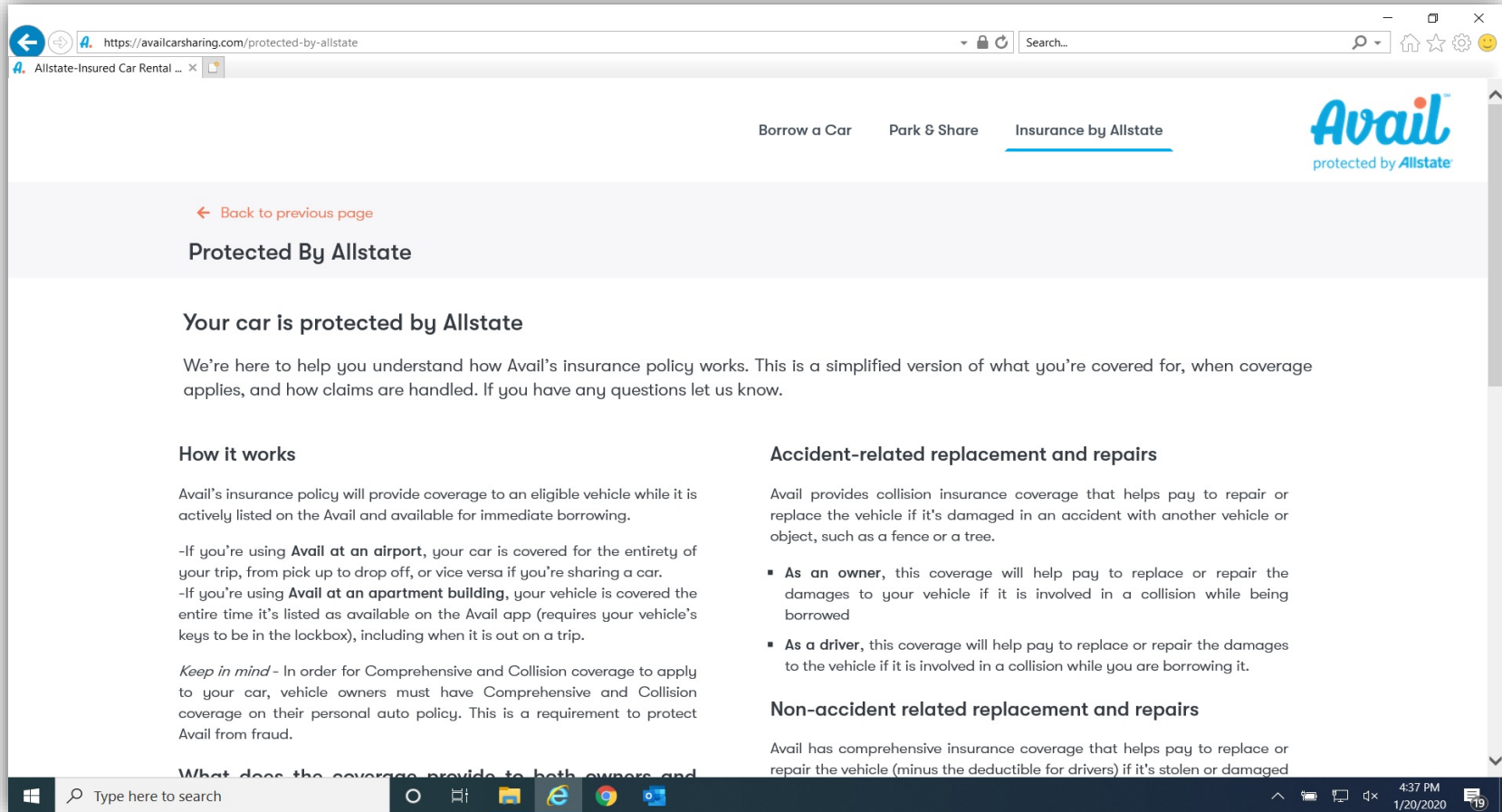
[About Us](#) [How it Works](#) [Contact Us](#) [FAQs](#)

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](#)

P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)



Avail
protected by Allstate

[Borrow a Car](#) [Park & Share](#) [Insurance 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.

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.

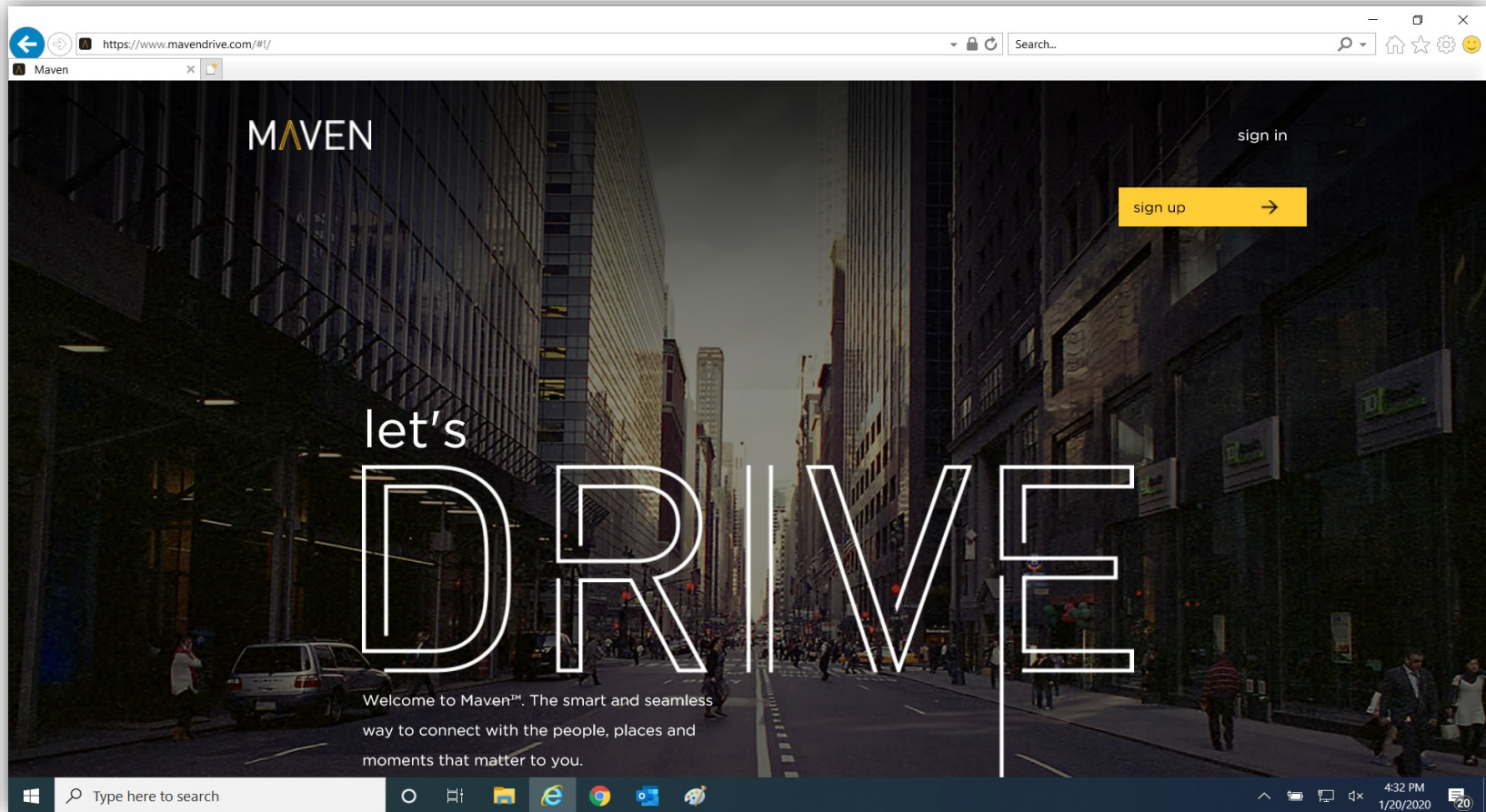
- **As an owner**, this coverage will help pay to replace or repair the damages to your vehicle if it is involved in a collision while being borrowed
- **As a driver**, this coverage will help pay to replace or repair the damages to the vehicle if it is involved in a collision while you are borrowing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

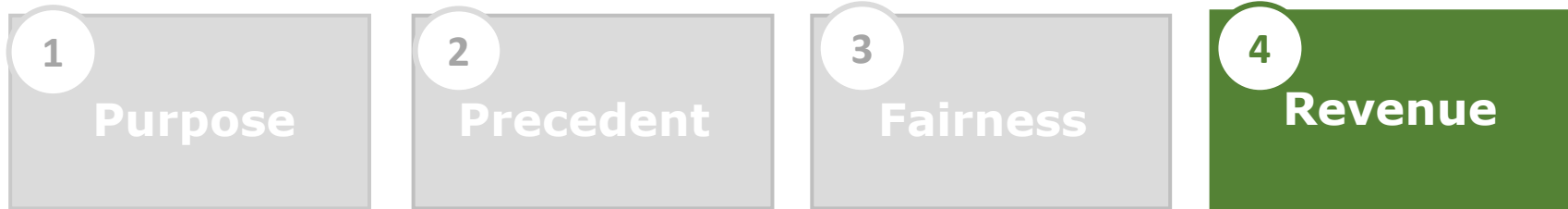
What does the coverage provide to both owners and

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 should not pick winners and losers in the same industry .

- **P2P rental companies continue to grow.**
- **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.**

Our Suggested Approach for Parity

1. Equalize the sales tax.

- Whether at 8% or 11.5%, the sales tax on the consumer transactions should be the same, regardless of where the consumer obtains the use of a vehicle for a short duration.
- **NOTE: The Proponents of this legislation agree that sales tax parity should be equal!**

2. Provide Vendor Sales Tax Credit.

- Should Maryland want to help individual owners of up to 4 vehicles, the state should provide them with a vendor sales tax credit for every transaction.

3. Apply The excise tax exemption for all “fleet” owners.

- Owners of 5 vehicles or more that purchase the vehicles exclusively for commercial use on a peer-to-peer platform may receive the excise tax exemption.

AFSCME_INFO_SB688.pdf

Uploaded by: Kilpatrick, Lance

Position: INFO



190 West Ostend St., #201
Baltimore, MD 21230
Phone: 410.547.1515
Fax: 410.837.5436

Patrick Moran - President

Testimony
SB 688 – Sales and Use and Vehicle Excise Taxes - Peer-to-Peer Car Sharing and
Short-Term Vehicle Rentals - Alterations and Distribution
Budget & Taxation
February 17, 2021
Informational Only

The State of Maryland, like many taxing jurisdictions on the federal, state and local levels, employ tax credits with the intent of influencing economic or societal behavior. Often the intention is laudatory; however, the question of effectiveness is too often left unanswered.

AFSCME Council 3 has long called for a complete, thorough and regularly occurring review of existing tax credits and other tax breaks provided by the State. There is broad acknowledgment that there are existing tax preferences in Maryland law that are ineffective at their original purpose, but because of political or philosophical reasons they remain in effect.

Tax preferences that fail their intent serve to hinder the State's ability to ensure appropriate resources are designated to fulfill the State's missions and responsibilities. We have seen services to Marylanders during the pandemic, especially those in crisis, stretched to the point of snapping. While state and higher education employees struggle as best they can to fulfill the delivery of these services and supports for Marylanders, many themselves have had to access state services such as food stamps because of low wages.

Household budgets have to be prioritized and accounted for, or the family suffers. Maryland needs to bring an accounting of the existing tax preferences and policies currently in place and make the necessary changes to ensure revenues are fairly accrued and wisely spent.

Every AFSCME Maryland State and University contract guarantees a right to union representation.
An employee has the right to a union representative if requested by the employee.
800.492.1996

Find us: afscmemd.org
Like us: facebook.com/AFSCMEMD
Follow/Tweet us: [@afscmemaryland](https://twitter.com/afscmemaryland)

SB0688 - FIN - Sales and Use and Vehicle Excise Ta

Uploaded by: Westervelt, Patricia

Position: INFO

February 17, 2021

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis MD 21401

***RE: Letter of Information – Senate Bill 688 – Sales and Use and Vehicle Excise Taxes -
Peer-to-Peer Car Sharing and Short-Term Vehicle Rentals - Alterations and Distribution***

Dear Chairman Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on Senate Bill 688 but offers the following information for the Committee's consideration.

Senate Bill 688 would eliminate the June 30, 2021 sunset on the 8% sales and use tax rate imposed on peer-to-peer car sharing, thus establishing a permanent tax. It would also decrease the sales and use tax rate for the short-term rental of a passenger car or vehicle registered as Class D, E, F, G, or M from 11.5% to 8%. The bill also removes the exemption for rental vehicles from the vehicle excise (titling) tax, meaning rental vehicles would now be subject to the State's 6% excise tax paid at the time of titling. Under Senate Bill 688, the revenue from the excise tax on rental vehicles would flow to the Transportation Trust Fund in fiscal year 2022 and, if Senate Bill 1 or House Bill 1 is signed into law, diverts revenues in fiscal year 2023 and beyond to the Historically Black Colleges and Universities Reserve Fund.

Although these combined actions provide a one-time revenue increase to the Transportation Trust Fund (TTF) in fiscal year 2022, in fiscal year 2023 and every year thereafter, there is a revenue loss of approximately \$10 million per year. In addition, the bill redirects a portion of the vehicle excise (titling) tax, historically considered a transportation revenue, to a non-transportation purpose. Although this does not violate the letter of the Constitutional amendment overwhelmingly approved by voters in 2014 to create a transportation lockbox, it violates the intent of using transportation revenues only for transportation purposes.

Revenues from the vehicle excise (titling) tax and a portion of the State sales and use tax on rental vehicles are pledged to the repayment of MDOT's Consolidated Transportation Bonds. This pledge is enumerated in Section 3-215 of the Transportation Article of the Annotated Code and in MDOT's Official Statement every time it issues bonds. The changes associated with Senate Bill 688 impair the position of bondholders. The revenue losses reduce MDOT's debt service coverage ratios, which reduces MDOT's ability to issue bonds to support the capital program. MDOT prides itself on its credit ratings of AAA from Standard & Poor's, Aa1 from Moody's and AA+ from Fitch. MDOT is concerned about a potential negative credit action from the credit rating agencies if the legislature were to pass Senate Bill 688.

It should also be noted a portion of both the sales and use tax on rental vehicles and the vehicle excise (titling) tax are part of calculation used to determine the amount of local highway user revenue (HUR) capital grants. The provisions of Senate Bill 688 reduce the revenues that flow into the Gasoline and Motor Vehicle Revenue Account, thus reducing funding available to local jurisdictions through HUR capital grants.

The MDOT Motor Vehicle Administration (MDOT MVA) administers the issuance of vehicle titles in Maryland. There were 36,546 vehicles registered under a rental vehicle registration code in calendar year 2020 and 196,522 from 2017-2020. Under Senate Bill 688, instead of directing all vehicle excise (titling) tax revenues to the TTF, MDOT MVA would have to distribute a portion of the revenues to the Historically Black Colleges and Universities Reserve Fund established under Section 15–127 of the Education Article.

The Maryland Department of Transportation respectfully requests that the Committee consider this information when deliberating Senate Bill 688.

Respectfully submitted,

Jaclyn Hartman
Chief Financial Officer
Maryland Department of Transportation
410-865-1035

Melissa Einhorn
State Legislative Officer
Maryland Department of Transportation
410-865-1102