**WM Testimony EWN 2.22.22.pdf**
Uploaded by: Ed Noonan
Position: FAV

United Rentals
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UnitedRentals.com

**Testimony before the House Ways and Means Committee**

**Briefing on HB 795**

**February 22, 2022**

Dear Chair Atterbeary and Members of the House Ways and Means Committee:

Thank you for the opportunity to testify before you regarding HB 795. My name is Ed Noonan and I am the Director of Government Affairs for United Rentals. We are an equipment rental business with a significant presence in the state.

We support HB 795 and believe that the technical corrections recommended in the bill follow sound tax policy. Specifically, the bill provides an exemption from the rental gross receipts tax for governments and government agencies. It doesn't make a lot of sense to have local governments pay a tax and then have it go right back to them. The bill also removes an onerous true-up process that is administratively burdensome for both taxpayers and Counties.

With the changes proposed here, Maryland will follow several other states with similar statutes. Those states include Colorado, Indiana, North Carolina, Oregon, South Carolina, Texas, Virginia, Washington, and Wyoming.

We urge your support in passing this important piece of legislation and I am available to answer any questions.

Respectively Submitted:

Edward Noonan
Director – Government Affairs
United Rentals, Inc.

**Sponsor Testimony.pdf**
Uploaded by: Eric Luedtke
Position: FAV

**Eric Luedtke**
*14th Legislative District*
Montgomery County

Ways and Means Committee

*Subcommittees*
Chair, Finance Resources

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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

**SPONSOR TESTIMONY**

House Bill 795 - Gross Receipts Tax on Short-Term Lease or Rental of Heavy Equipment - Alterations

Madame Chair, Members of the Ways and Means Committee,

Since legislation was passed in 2010, the short-term lease or rental of heavy equipment has not been subject to the personal property tax. Instead, Senate Bill 685 required that these leases are subject to a 2% gross receipts tax. In order to ensure that local jurisdictions were not missing out on tax revenue as a part of this change, Senate 685 also created a “true up” to ensure that rental companies are required to make up the difference should less revenue be collected through the dross receipts tax than would otherwise be collected through the personal property tax.

As time has gone on, issues have arisen with this agreement. Before 2010, local governments were not responsible for paying the personal property taxes on these agreements. However, under current law local jurisdictions are not exempt from the gross receipts tax. Frustratingly for local governments, the gross receipts tax is due even if the heavy equipment is rented to the government all year long.

Beyond this burden on local governments, the true up has also proven to be inefficient. The process only looks at one physical rental location at a time and does not take a state-wide view, which leads to distortions. This could lead to a business with several locations in the state having a net overage paid state-wide but having to pay a true-up to the counties where they may have been short. This creates a punitive policy since there is no mechanism to refund the company back for any overpayments.

Heavy equipment is extremely mobile and is moved to wherever there is demand to rent it. The gross receipts tax captures the economic activity at each rental location where the traditional personal property tax did not. Any differences in the true-up is primarily a timing issue where equipment moved from one jurisdiction to another during the course of a year. In addition, distortions are also created when you have an acquisition of a new business or closure of an existing business. Given variations in revenue from one year to the next, it's hard to determine whether jurisdictions would experience a loss of revenue.

For these reasons, House Bill 785 seeks to exempt the government from the tax on rentals of heavy equipment and repeals the annual true up reporting requirement to counties where heavy equipment rental businesses are located. It is my belief that this will bring fairness and efficiency to the gross receipts tax. I thank the committee for your consideration and request a favorable report.

Sincerely,

Delegate Eric Luedtke

**Testimony - WM Testimony JWM 2-22-22.pdf**
Uploaded by: John McClelland
Position: FAV

American Rental Association

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**John W. McClelland, Ph.D.**
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Testimony before the House Ways and Means Committee

Briefing on HB 795

January 18, 2022

Dear Chair Atterbeary and Members of the House Ways and Means Committee:

Thank you for the opportunity to testify before you regarding HB 795. My name is John McClelland, and I am the vice president for government affairs and chief economist at the American Rental Association (ARA).

On behalf of all ARA members in Maryland, I am here today to speak in favor of HB 795.

The bill amends previous legislation passed in 2010. Since that time, state and local governments have increased their use of rental as a procurement method for equipment. Many procurement professionals have questioned why they were subject to the rental gross receipts tax since they are exempt from sales and other taxes given their status as government entities. We do not disagree with the premise. Our only concern is that if we amend language to add the exemption for government agencies, we also need to repeal or remove the true-up provision currently in statute, so the rental businesses are not having to pay the tax on their behalf.

We believe that making these changes will remove a significant administrative burden for everyone. Because the current true-up process is not a guaranteed revenue source for local governments, we believe the fiscal impact would be marginal because the revenues raised by the tax are received by the entities that would be exempt from paying the tax I the provisions of HB 795 are implemented.

The American Rental Association has worked in several other states to pass similar measures and all of them grant governments and government agencies exemptions from the tax and none of them today have any true-up process in place.

We urge your support in passing this important piece of legislation and I am available to answer any questions.

Respectively Submitted:

John W. McClelland Ph.D.

**HB0795-WM_MACo_SWA.pdf**
Uploaded by: Kevin Kinnally
Position: FWA

# MARYLAND Association of COUNTIES

## House Bill 795

***Gross Receipts Tax on Short-Term Lease or Rental of Heavy Equipment - Alterations***

MACo Position: **SUPPORT with AMENDMENTS**

To: Ways and Means Committee

Date: February 22, 2022

From: Kevin Kinnally and Michael Sanderson

The Maryland Association of Counties (MACo) **SUPPORTS** HB 795 **with AMENDMENTS**. This bill revisits a years-old compromise on local taxation of heavy equipment with two policy changes, each with hard-to-quantify effects on local revenues. **Counties are willing to work toward a reasonable resolution on the administration of this tax, but would urge the Committee to retain the central tenets of its prior compromise.**

In 2010, legislation was introduced at the behest of the heavy equipment rental industry and ultimately passed, creating a new and unique tax regime for these companies. The companies sought an alternative to paying Maryland's personal property taxes on their equipment. That legislation created a new gross receipts tax with a year-end "true-up" as a means to retain stable local revenues but still address industry goals. HB 795 seems to alter the 2010 compromise in two ways. Both are difficult to assess fully without clear data to measure their potential impacts.

First, HB 795 would excuse governmental end users from bearing the gross receipts tax on their bill or receipt. This would interrupt the revenues generated from this local source and upend the very framework of a gross receipts tax—different from a sales tax as the payor is not merely a collector, but the agent directly responsible for the tax. The gross receipts tax was selected as the means to replace the property tax (which is indifferent to what entity rents the heavy equipment) as the most direct analog to the prior tax structure.

Second, HB 795 eliminates the year-end true-up calculation. While industry data is not readily available, multiple counties report these payments being material. This is not merely removing a defunct provision in law, and its importance would surely grow once coupled with the potentially broad exemption granted to all governmental entities.

**Even without a specific dollar amount, HB 795 would have a meaningful effect on county revenues needed to support education, public safety, infrastructure, and essential services.**

HB 795 would undermine a policy compromise previously reached in the General Assembly. If the Committee and the General Assembly would seek to alter the nature and burden of this tax, counties would urge a **FAVORABLE** report on HB 795 **with AMENDMENTS** that retain the security of the local revenue stream, but provide whatever administrative or record-keeping relief that a modification might offer to the affected industry.

**HB0795-WM_MACo_SWA.pdf**
Uploaded by: Michael Sanderson
Position: FWA

MARYLAND Association of COUNTIES

# House Bill 795

*Gross Receipts Tax on Short-Term Lease or Rental of Heavy Equipment - Alterations*

MACo Position: **SUPPORT with AMENDMENTS**

To: Ways and Means Committee

Date: February 22, 2022

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