

HOUSE BILL 724

Unofficial Copy
Q4

1998 Regular Session
(8r1915)

ENROLLED BILL
-- Ways and Means/Budget and Taxation --

Introduced by **Delegate Hixson**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Short-Term Rental Vehicles - Taxation**

3 FOR the purpose of providing for the distribution of a portion of certain sales and use
4 tax revenue to the Transportation Trust Fund of the State; ~~altering the sales~~
5 ~~and use tax rate for certain short term vehicle rentals~~; exempting certain rental
6 vehicles from the motor vehicle excise tax; repealing a certain credit allowed
7 against the sales and use tax for certain excise tax imposed on certain rental
8 vehicles; defining a certain term; repealing a certain termination provision
9 relating to certain changes in the taxation of certain rental vehicles; pledging
10 certain taxes collected to pay the principal and interest on certain bonds;
11 requiring certain funds in a certain trust fund to be distributed in a certain
12 manner; requiring a certain report by a certain date; providing for the
13 application of this Act; providing for a delayed effective date; and generally
14 relating to the taxation of certain short-term rental vehicles.

15 BY adding to
16 Article - Tax - General

- 1 Section 2-1302.1
2 Annotated Code of Maryland
3 (1997 Replacement Volume)
- 4 BY repealing and reenacting, with amendments,
5 Article - Tax - General
6 Section 2-1303; and 11-101(j)(4), and ~~11-104~~
7 Annotated Code of Maryland
8 (1997 Replacement Volume)
- 9 BY repealing and reenacting, without amendments.
10 Article - Tax - General
11 Section 11-104
12 Annotated Code of Maryland
13 (1997 Replacement Volume)
- 14 BY repealing
15 Article - Tax - General
16 Section 11-106
17 Annotated Code of Maryland
18 (1997 Replacement Volume)
- 19 BY adding to
20 Article - Transportation
21 Section 11-178 and 13-810(a)(23)
22 Annotated Code of Maryland
23 (1992 Replacement Volume and 1997 Supplement)
- 24 BY repealing and reenacting, without amendments.
25 Article - Transportation
26 Section 3-215(a) and 8-402(a)
27 Annotated Code of Maryland
28 (1993 Replacement Volume and 1997 Supplement)
- 29 BY repealing and reenacting, with amendments.
30 Article - Transportation
31 Section 3-215(b) and 8-402(b)
32 Annotated Code of Maryland
33 (1993 Replacement Volume and 1997 Supplement)
- 34 BY repealing and reenacting, with amendments,
35 Article - Transportation
36 Section 13-810(a)(21) and (22)

1 Annotated Code of Maryland
2 (1992 Replacement Volume and 1997 Supplement)

3 BY repealing and reenacting, with amendments,
4 Chapter 254 of the Acts of the General Assembly of 1993, as amended by
5 Chapter 125 of the Acts of the General Assembly of 1995
6 Section 2 and 3

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That the Laws of Maryland read as follows:

9 **Article - Tax - General**

10 2-1302.1.

11 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301 AND 2-1302 OF
12 THIS SUBTITLE, THE COMPTROLLER MONTHLY SHALL DISTRIBUTE ~~50% 53.125%~~ 45%
13 OF THE SALES AND USE TAX COLLECTED ON SHORT-TERM VEHICLE RENTALS
14 UNDER § 11-104(C) OF THIS ARTICLE TO THE TRANSPORTATION TRUST FUND
15 ESTABLISHED UNDER § 3-216 OF THE TRANSPORTATION ARTICLE.

16 2-1303.

17 After making the distributions required under §§ 2-1301 [and 2-1302]
18 THROUGH 2-1302.1 of this subtitle, the Comptroller shall pay the remaining sales and
19 use tax revenue into the General Fund of the State.

20 11-101.

21 (j) (4) "Taxable price" includes, for a short-term vehicle rental as defined
22 under § 11-104(c) of this [article] TITLE, all sales and charges made in connection
23 with the short-term vehicle rental, including insurance, freight handling, equipment
24 and supplies, delivery and pickup, cellular telephone, and other accessories, but not
25 including sales of motor fuel subject to the motor fuel tax.

26 11-104.

27 (a) Except as otherwise provided in this section, the sales and use tax rate is:

28 (1) for a taxable price of less than \$1:

29 (i) 1 cent if the taxable price is 20 cents; and

30 (ii) 1 cent for each additional 20 cents or part of 20 cents; and

31 (2) for a taxable price of \$1 or more:

32 (i) 5 cents for each exact dollar; and

1 (ii) 1 cent for each 20 cents or part of 20 cents in excess of an exact
2 dollar.

3 (b) If a retail sale of tangible personal property or a taxable service is made
4 through a vending or other self-service machine, the sales and use tax rate is 5%,
5 applied to 95.25% of the gross receipts from the vending machine sales.

6 (c) (1) In this subsection:

7 (i) "short-term vehicle rental" means a rental of a passenger car,
8 as defined in § 11-144.1 of the Transportation Article, or a vehicle that may be
9 registered as a Class E, F, G, or M vehicle under Title 13, Subtitle 9 of the
10 Transportation Article, for a period of 180 days or less under the following terms:

11 1. the vendor does not provide a driver for the vehicle as a
12 part of the rental; and

13 2. if the vehicle is a passenger car, as defined in § 11-144.1 of
14 the Transportation Article, or a multipurpose passenger vehicle, the vehicle is not to
15 be used to transport individuals or property for hire; and

16 (ii) "short-term vehicle rental" does not include a rental of:

17 1. a dump truck, as described in § 13-919 of the
18 Transportation Article;

19 2. a tow truck, as described in § 13-920 of the Transportation
20 Article; or

21 3. a farm vehicle exempt from the sales and use tax under §
22 11-201(a) of this title.

23 (2) The sales and use tax rate for a short-term vehicle rental for a
24 taxable price of ~~2~~ \$1 or more is:

25 (i) If the vehicle is a passenger car or a multipurpose passenger
26 vehicle:

27 1. 23 cents for each exact multiple of \$2; and

28 2. for that part of \$2 in excess of an exact multiple of \$2:

29 A. 1 cent if the excess over an exact multiple of \$2 is at least
30 1 cent but less than 9 cents;

31 B. 2 cents if the excess over an exact multiple of \$2 is at least
32 9 cents but less than 18 cents;

33 C. 3 cents if the excess over an exact multiple of \$2 is at least
34 18 cents but less than 27 cents;

- 1 D. 4 cents if the excess over an exact multiple of \$2 is at least
2 27 cents but less than 35 cents;
- 3 E. 5 cents if the excess over an exact multiple of \$2 is at least
4 35 cents but less than 44 cents;
- 5 F. 6 cents if the excess over an exact multiple of \$2 is at least
6 44 cents but less than 53 cents;
- 7 G. 7 cents if the excess over an exact multiple of \$2 is at least
8 53 cents but less than 61 cents;
- 9 H. 8 cents if the excess over an exact multiple of \$2 is at least
10 61 cents but less than 70 cents;
- 11 I. 9 cents if the excess over an exact multiple of \$2 is at least
12 70 cents but less than 79 cents;
- 13 J. 10 cents if the excess over an exact multiple of \$2 is at
14 least 79 cents but less than 87 cents;
- 15 K. 11 cents if the excess over an exact multiple of \$2 is at
16 least 87 cents but less than 96 cents;
- 17 L. 12 cents if the excess over an exact multiple of \$2 is at
18 least 96 cents but less than \$1.05;
- 19 M. 13 cents if the excess over an exact multiple of \$2 is at
20 least \$1.05 but less than \$1.14;
- 21 N. 14 cents if the excess over an exact multiple of \$2 is at
22 least \$1.14 but less than \$1.22;
- 23 O. 15 cents if the excess over an exact multiple of \$2 is at
24 least \$1.22 but less than \$1.31;
- 25 P. 16 cents if the excess over an exact multiple of \$2 is at
26 least \$1.31 but less than \$1.40;
- 27 Q. 17 cents if the excess over an exact multiple of \$2 is at
28 least \$1.40 but less than \$1.48;
- 29 R. 18 cents if the excess over an exact multiple of \$2 is at
30 least \$1.48 but less than \$1.57;
- 31 S. 19 cents if the excess over an exact multiple of \$2 is at
32 least \$1.57 but less than \$1.66;
- 33 T. 20 cents if the excess over an exact multiple of \$2 is at
34 least \$1.66 but less than \$1.74;

1 U. 21 cents if the excess over an exact multiple of \$2 is at
2 least \$1.74 but less than \$1.83;

3 V. 22 cents if the excess over an exact multiple of \$2 is at
4 least \$1.83 but less than \$1.92; and

5 W. 23 cents if the excess over an exact multiple of \$2 is at
6 least \$1.92 but less than \$2.00; or

7 (ii) if the vehicle is a rental truck, as defined in § 11-106(a) of this
8 subtitle:

9 1. ~~8~~ 40 cents for each exact dollar; and

10 ~~{2.}~~ ~~(H)~~ ~~{2 cents}~~ 1-CENT for each ~~{25}~~ 40 cents or part of
11 ~~{25}~~ 40 cents in excess of an exact dollar.

12 (d) The sales and use tax rate for the first retail sale of a mobile home, as
13 defined in Article 83B, § 6-202(g) of the Code, is the rate imposed under subsection
14 (a) of this section applied to 60% of the taxable price.

15 [11-106.

16 (a) In this section:

17 (1) "rental vehicle" means a passenger car, as defined in § 11-144.1 of
18 the Transportation Article, or a vehicle that may be registered as a Class E, F, G, or M
19 vehicle under Title 13, Subtitle 9 of the Transportation Article:

20 (i) that is acquired solely for rental purposes but will not be rented
21 to the same person for a period of more than 180 consecutive days;

22 (ii) 1. that, at the time of purchase, is part of a fleet of passenger
23 cars owned by the same person, at least 5 of which meet the criteria in subitem (i) of
24 this item;

25 2. that, at the time of purchase, is part of a fleet of rental
26 trucks owned by the same person, at least 5 of which meet the criteria in subitem (i)
27 of this item; or

28 3. that, at the time of purchase, is part of a fleet of
29 multipurpose passenger vehicles owned by the same person, at least 5 of which meet
30 the criteria in subitem (i) of this item;

31 (iii) for which the owner does not provide a driver; and

32 (iv) that, if the vehicle is a passenger car or multipurpose passenger
33 vehicle, will not be used to transport individuals or property for hire; and

34 (2) "rental vehicle" does not include:

- 1 (i) a dump truck, as described in § 13-919 of the Transportation
2 Article;
- 3 (ii) a tow truck, as described in § 13-920 of the Transportation
4 Article; or
- 5 (iii) a farm vehicle exempt from the sales and use tax under §
6 11-201(a) of this title.

7 (b) A vendor is allowed a credit against the sales and use tax equal to the
8 amount that the vendor pays as excise tax imposed on a rental vehicle under § 13-809
9 of the Transportation Article.

10 (c) Within 3 years after the due date of the sales and use tax return for the
11 period during which the excise tax was paid, a vendor shall complete and file, with a
12 sales and use tax return, a claim form for a credit under subsection (b) of this section.

13 (d) In accordance with regulations adopted by the Comptroller, on the
14 surrender of a vendor's license under Subtitle 7 of this title, the vendor may transfer
15 any unused credits under this section to another licensed vendor who receives credits
16 under the provisions of this section.]

17 **Article - Transportation**

18 3-215.

19 (a) (1) For the purpose of paying the principal of and interest on
20 consolidated transportation bonds as they become due and payable, there is hereby
21 levied and imposed an annual tax that consists of the taxes specified in this section
22 and, to the extent necessary and except as otherwise provided in this subsection, that
23 shall be used and applied exclusively for that purpose.

24 (2) The required use and application of the tax under paragraph (1) of
25 this subsection is subject only to the prior use and application of one or all or any
26 combination of the taxes specified in this section to meet the debt service on all of the
27 following bonds while they are outstanding and unpaid and to the payment of which
28 any part of those taxes has been pledged:

29 (i) Bonds of prior issues;

30 (ii) Bonds of any series of county highway construction bonds or
31 county transportation bonds issued under § 211 or § 211G-1 of Article 89B of the Code
32 of 1957; and

33 (iii) Bonds of any series of county transportation bonds issued under
34 Subtitle 3 of this title.

35 (b) The tax levied and imposed by this section consists of that part of the
36 following taxes that are retained to the credit of the Department after distributions to
37 the political subdivisions:

1 (1) The motor fuel tax revenue distributed under §§ 2-1103(2) and
2 2-1104(4) of the Tax - General Article;

3 (2) The income tax revenue distributed under §§ 2-614 and 2-616 of the
4 Tax - General Article; [and]

5 (3) The excise tax imposed on vehicles by Part II of Title 13, Subtitle 8 of
6 this article; AND

7 (4) THE SALES AND USE TAX REVENUES ON SHORT-TERM RENTAL
8 VEHICLES DISTRIBUTED UNDER § 2-1302.1 OF THE TAX - GENERAL ARTICLE.
9 8-402.

10 (a) There is a Gasoline and Motor Vehicle Revenue Account in the
11 Transportation Trust Fund.

12 (b) All revenues collected from the following, after deductions provided by law,
13 shall be credited to the Gasoline and Motor Vehicle Revenue Account:

14 (1) All of the motor vehicle fuel tax;

15 (2) Except as otherwise provided by law, 80 percent of the vehicle titling
16 tax;

17 (3) Except for revenues collected under Parts III and IV of Title 13,
18 Subtitle 9 of this article, vehicle registration fees; [and]

19 (4) The revenue disbursed to this account under §§ 2-614 and 2-617(1)
20 of the Tax - General Article; AND

21 (5) 80 PERCENT OF THE FUNDS DISTRIBUTED UNDER § 2-1302.1 OF THE
22 TAX - GENERAL ARTICLE TO THE TRANSPORTATION TRUST FUND FROM THE SALES
23 AND USE TAX COLLECTED ON SHORT-TERM VEHICLE RENTALS UNDER § 11-104 OF
24 THE TAX - GENERAL ARTICLE.

25 11-178.

26 (A) "RENTAL VEHICLE" MEANS A PASSENGER CAR OR A VEHICLE THAT MAY
27 BE REGISTERED AS A CLASS E, F, G, OR M VEHICLE UNDER TITLE 13, SUBTITLE 9 OF
28 THIS ARTICLE:

29 (1) THAT IS ACQUIRED SOLELY FOR RENTAL PURPOSES BUT WILL NOT
30 BE RENTED TO THE SAME PERSON FOR A PERIOD OF MORE THAN 180 CONSECUTIVE
31 DAYS;

32 (2) (I) THAT, AT THE TIME OF PURCHASE, IS PART OF A FLEET OF
33 PASSENGER CARS OWNED BY THE SAME PERSON, AT LEAST FIVE OF WHICH MEET
34 THE CRITERIA IN ITEM (1) OF THIS SUBSECTION;

1 (II) THAT, AT THE TIME OF PURCHASE, IS PART OF A FLEET OF
 2 RENTAL TRUCKS OWNED BY THE SAME PERSON, AT LEAST FIVE OF WHICH MEET THE
 3 CRITERIA IN ITEM (1) OF THIS SUBSECTION; OR

4 (III) THAT, AT THE TIME OF PURCHASE, IS PART OF A FLEET OF
 5 MULTIPURPOSE PASSENGER VEHICLES OWNED BY THE SAME PERSON, AT LEAST
 6 FIVE OF WHICH MEET THE CRITERIA IN ITEM (1) OF THIS SUBSECTION;

7 (3) FOR WHICH THE OWNER DOES NOT PROVIDE A DRIVER; AND

8 (4) THAT, IF THE VEHICLE IS A PASSENGER CAR OR MULTIPURPOSE
 9 PASSENGER VEHICLE, WILL NOT BE USED TO TRANSPORT INDIVIDUALS OR
 10 PROPERTY FOR HIRE.

11 (B) "RENTAL VEHICLE" DOES NOT INCLUDE:

12 (1) A DUMP TRUCK, AS DESCRIBED IN § 13-919 OF THIS ARTICLE;

13 (2) A TOW TRUCK, AS DESCRIBED IN § 13-920 OF THIS ARTICLE; OR

14 (3) A FARM VEHICLE EXEMPT FROM THE SALES AND USE TAX UNDER §
 15 11-201(A) OF THE TAX - GENERAL ARTICLE.

16 13-810.

17 (a) On issuance in this State of an original or subsequent certificate of title for
 18 a vehicle, the vehicle is exempt from the excise tax imposed by this part, if it is:

19 (21) A Class M motor home or Class G travel trailer that is transferred or
 20 retitled in the dealership's name under § 15-305(d)(2) of this article; [or]

21 (22) A special purpose vehicle owned by a coal company if the vehicle is
 22 used:

23 (i) For transportation of workers, coal, or equipment used in the
 24 coal production process; and

25 (ii) Exclusively in or on coal mining property[.]; OR

26 (23) A RENTAL VEHICLE.

27 **Chapter 254 of the Acts of 1993, as amended by Chapter 125 of the Acts of**
 28 **1995**

29 SECTION 2. AND BE IT FURTHER ENACTED, That the Comptroller's office
 30 shall continue to monitor the effects of Chapter 254 of the Acts of 1993 and the
 31 revenues generated by the taxes imposed by the State of Maryland on the short-term
 32 vehicle rental industry. [The Department of Fiscal Services shall review these effects
 33 and shall be prepared to brief the fiscal committees or other committees of the
 34 General Assembly on request.]

1 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 June 1, 1993. [It shall remain effective for a period of 6 years and 1 month and, at the
3 end of June 30, 1999, with no further action required by the General Assembly, this
4 Act shall be abrogated and of no further force and effect.] The increased sales and use
5 tax rate for short-term rentals of passenger cars and multipurpose passenger
6 vehicles provided under this Act shall be applicable to all charges for rental
7 agreements entered into on or after June 1, 1993 ~~and before the termination of this~~
8 ~~Act.~~ The altered definition of taxable price for short-term vehicle rentals and the
9 sales and use tax rate provided under this Act shall be applicable to all rental
10 agreements entered into on or after June 1, 1993 ~~and before the termination of this~~
11 ~~Act.~~ The credit for the vehicle excise tax on purchases of passenger cars and
12 multipurpose vehicles used for short-term rentals provided under this Act shall apply
13 to all vehicles titled on or after May 1, 1993 ~~and before the termination of this Act,~~
14 provided that these credits may not be used to offset sales tax remittances until after
15 July 1, 1993.

16 SECTION 2. AND BE IT FURTHER ENACTED, That the Department of
17 Budget and Management, in consultation with the Comptroller's Office and the
18 Department of Transportation, shall report by December 1, 1999, to the House Ways
19 and Means Committee and the Senate Budget and Taxation Committee on the impact
20 of this Act, including:

21 (a) whether the increased sales and use tax rate and the expanded sales tax
22 base applied to short-term rental vehicle transactions meets the revenue neutral goal
23 of Chapter 254 of the Acts of 1993; and

24 (b) whether the sales and use tax revenues distributed to the Transportation
25 Trust Fund pursuant to § 2-1302.1 of the Tax - General Article provide an
26 appropriate distribution of funds between the General Fund and the Transportation
27 Trust Fund as a result of the provisions of Section 1 of this Act.

28 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
29 July 1, ~~1998~~ 1999; provided that the sales and use tax rate for short-term rentals of
30 passenger cars and multipurpose passenger vehicles provided under this Act shall be
31 applicable to all charges for rental agreements entered into on or after July 1, ~~1998~~
32 1999; provided further that the excise tax exemption for rental vehicles provided
33 under this Act shall be applicable to all rental vehicles titled on or after July 1, ~~1998~~
34 1999; and provided further that sales and use tax credits resulting from rental
35 vehicles titled before July 1, ~~1998~~ 1999 may be used in the manner authorized under
36 § 11-106 of the Tax - General Article as it existed prior to its repeal under Section 1
37 of this Act.

