

HOUSE BILL 724

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Q4

1998 Regular Session
8r1915
CF 8r1914

By: **Delegate Hixson**

Introduced and read first time: February 11, 1998

Assigned to: Ways and Means

A BILL ENTITLED

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; providing
10 for the application of this Act; and generally relating to the taxation of certain
11 short-term rental vehicles.

12 BY adding to

13 Article - Tax - General
14 Section 2-1302.1
15 Annotated Code of Maryland
16 (1997 Replacement Volume)

17 BY repealing and reenacting, with amendments,

18 Article - Tax - General
19 Section 2-1303, 11-101(j)(4), and 11-104
20 Annotated Code of Maryland
21 (1997 Replacement Volume)

22 BY repealing

23 Article - Tax - General
24 Section 11-106
25 Annotated Code of Maryland
26 (1997 Replacement Volume)

27 BY adding to

28 Article - Transportation
29 Section 11-178 and 13-810(a)(23)

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

3 BY repealing and reenacting, with amendments,
4 Article - Transportation
5 Section 13-810(a)(21) and (22)
6 Annotated Code of Maryland
7 (1992 Replacement Volume and 1997 Supplement)

8 BY repealing and reenacting, with amendments,
9 Chapter 254 of the Acts of the General Assembly of 1993, as amended by
10 Chapter 125 of the Acts of the General Assembly of 1995
11 Section 3

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

14 **Article - Tax - General**

15 2-1302.1.

16 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301 AND 2-1302 OF
17 THIS SUBTITLE, THE COMPTROLLER MONTHLY SHALL DISTRIBUTE 50% OF THE
18 SALES AND USE TAX COLLECTED ON SHORT-TERM VEHICLE RENTALS UNDER §
19 11-104(C) OF THIS ARTICLE TO THE TRANSPORTATION TRUST FUND ESTABLISHED
20 UNDER § 3-216 OF THE TRANSPORTATION ARTICLE.

21 2-1303.

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

25 11-101.

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

31 11-104.

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

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

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

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

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

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

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

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

9 (c) (1) In this subsection:

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

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

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

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

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

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

24 3. a farm vehicle exempt from the sales and use tax under §
25 11-201(a) of this title.

26 (2) The sales and use tax rate for a short-term vehicle rental for a
27 taxable price of [\$2] \$1 or more is:

28 (i) [if the vehicle is a passenger car or a multipurpose passenger
29 vehicle:

30 1. 23 cents for each exact multiple of \$2; and

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

32 A. 1 cent if the excess over an exact multiple of \$2 is at least
33 1 cent but less than 9 cents;

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

1 S. 19 cents if the excess over an exact multiple of \$2 is at
2 least \$1.57 but less than \$1.66;

3 T. 20 cents if the excess over an exact multiple of \$2 is at
4 least \$1.66 but less than \$1.74;

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

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

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

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

13 1. 8] 10 cents for each exact dollar; and

14 [2.] (II) [2 cents] 1 CENT for each [25] 10 cents or part of
15 [25] 10 cents in excess of an exact dollar.

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

19 [11-106.

20 (a) In this section:

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

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

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

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

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

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

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

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

4 (i) a dump truck, as described in § 13-919 of the Transportation
5 Article;

6 (ii) a tow truck, as described in § 13-920 of the Transportation
7 Article; or

8 (iii) a farm vehicle exempt from the sales and use tax under §
9 11-201(a) of this title.

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

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

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

20

Article - Transportation

21 11-178.

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

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

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

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

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

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

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

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

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

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

8 (3) A FARM VEHICLE EXEMPT FROM THE SALES AND USE TAX UNDER §
9 11-201(A) OF THE TAX - GENERAL ARTICLE.

10 13-810.

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

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

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

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

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

20 (23) A RENTAL VEHICLE.

21 **Chapter 254 of the Acts of 1993, as amended by Chapter 125 of the Acts of**
22 **1995**

23 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 June 1, 1993. [It shall remain effective for a period of 6 years and 1 month and, at the
25 end of June 30, 1999, with no further action required by the General Assembly, this
26 Act shall be abrogated and of no further force and effect.] The increased sales and use
27 tax rate for short-term rentals of passenger cars and multipurpose passenger
28 vehicles provided under this Act shall be applicable to all charges for rental
29 agreements entered into on or after June 1, 1993 and before the termination of this
30 Act. The altered definition of taxable price for short-term vehicle rentals and the
31 sales and use tax rate provided under this Act shall be applicable to all rental
32 agreements entered into on or after June 1, 1993 and before the termination of this
33 Act. The credit for the vehicle excise tax on purchases of passenger cars and
34 multipurpose vehicles used for short-term rentals provided under this Act shall apply
35 to all vehicles titled on or after May 1, 1993 and before the termination of this Act,

1 provided that these credits may not be used to offset sales tax remittances until after
2 July 1, 1993.

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
4 July 1, 1998; provided that the sales and use tax rate for short-term rentals of
5 passenger cars and multipurpose passenger vehicles provided under this Act shall be
6 applicable to all charges for rental agreements entered into on or after July 1, 1998;
7 provided further that the excise tax exemption for rental vehicles provided under this
8 Act shall be applicable to all rental vehicles titled on or after July 1, 1998; and
9 provided further that sales and use tax credits resulting from rental vehicles titled
10 before July 1, 1998 may be used in the manner authorized under § 11-106 of the Tax
11 - General Article as it existed prior to its repeal under Section 1 of this Act.