

HOUSE BILL 724

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Q4

1998 Regular Session  
8r1915  
CF 8r1914

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By: **Delegate Hixson**

Introduced and read first time: February 11, 1998

Assigned to: Ways and Means

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 24, 1998

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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

17 Section 2-1302.1

18 Annotated Code of Maryland

19 (1997 Replacement Volume)

20 BY repealing and reenacting, with amendments,

21 Article - Tax - General

22 Section 2-1303, and 11-101(j)(4), and 11-104

23 Annotated Code of Maryland

24 (1997 Replacement Volume)

1 BY repealing and reenacting, without amendments,

2 Article - Tax - General

3 Section 11-104

4 Annotated Code of Maryland

5 (1997 Replacement Volume)

6 BY repealing

7 Article - Tax - General

8 Section 11-106

9 Annotated Code of Maryland

10 (1997 Replacement Volume)

11 BY adding to

12 Article - Transportation

13 Section 11-178 and 13-810(a)(23)

14 Annotated Code of Maryland

15 (1992 Replacement Volume and 1997 Supplement)

16 BY repealing and reenacting, without amendments,

17 Article - Transportation

18 Section 3-215(a) and 8-402(a)

19 Annotated Code of Maryland

20 (1993 Replacement Volume and 1997 Supplement)

21 BY repealing and reenacting, with amendments,

22 Article - Transportation

23 Section 3-215(b) and 8-402(b)

24 Annotated Code of Maryland

25 (1993 Replacement Volume and 1997 Supplement)

26 BY repealing and reenacting, with amendments,

27 Article - Transportation

28 Section 13-810(a)(21) and (22)

29 Annotated Code of Maryland

30 (1992 Replacement Volume and 1997 Supplement)

31 BY repealing and reenacting, with amendments,

32 Chapter 254 of the Acts of the General Assembly of 1993, as amended by

33 Chapter 125 of the Acts of the General Assembly of 1995

34 Section 2 and 3

35 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

36 MARYLAND, That the Laws of Maryland read as follows:

1

**Article - Tax - General**

2 2-1302.1.

3 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301 AND 2-1302 OF  
4 THIS SUBTITLE, THE COMPTROLLER MONTHLY SHALL DISTRIBUTE ~~50%~~ 53.125% OF  
5 THE SALES AND USE TAX COLLECTED ON SHORT-TERM VEHICLE RENTALS UNDER §  
6 11-104(C) OF THIS ARTICLE TO THE TRANSPORTATION TRUST FUND ESTABLISHED  
7 UNDER § 3-216 OF THE TRANSPORTATION ARTICLE.

8 2-1303.

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

12 11-101.

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

18 11-104.

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

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

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

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

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

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

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

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

30 (c) (1) In this subsection:

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

- 1 the vendor does not provide a driver for the vehicle as a  
 2 part of the rental; and
- 3 2. if the vehicle is a passenger car, as defined in § 11-144.1 of  
 4 the Transportation Article, or a multipurpose passenger vehicle, the vehicle is not to  
 5 be used to transport individuals or property for hire; and
- 6 (ii) "short-term vehicle rental" does not include a rental of:
- 7 1. a dump truck, as described in § 13-919 of the  
 8 Transportation Article;
- 9 2. a tow truck, as described in § 13-920 of the Transportation  
 10 Article; or
- 11 3. a farm vehicle exempt from the sales and use tax under §  
 12 11-201(a) of this title.

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

- 15 (i) ~~if~~ if the vehicle is a passenger car or a multipurpose passenger  
 16 vehicle:
- 17 1. 23 cents for each exact multiple of \$2; and
- 18 2. for that part of \$2 in excess of an exact multiple of \$2:
- 19 A. 1 cent if the excess over an exact multiple of \$2 is at least  
 20 1 cent but less than 9 cents;
- 21 B. 2 cents if the excess over an exact multiple of \$2 is at least  
 22 9 cents but less than 18 cents;
- 23 C. 3 cents if the excess over an exact multiple of \$2 is at least  
 24 18 cents but less than 27 cents;
- 25 D. 4 cents if the excess over an exact multiple of \$2 is at least  
 26 27 cents but less than 35 cents;
- 27 E. 5 cents if the excess over an exact multiple of \$2 is at least  
 28 35 cents but less than 44 cents;
- 29 F. 6 cents if the excess over an exact multiple of \$2 is at least  
 30 44 cents but less than 53 cents;
- 31 G. 7 cents if the excess over an exact multiple of \$2 is at least  
 32 53 cents but less than 61 cents;
- 33 H. 8 cents if the excess over an exact multiple of \$2 is at least  
 34 61 cents but less than 70 cents;

- 1 I. 9 cents if the excess over an exact multiple of \$2 is at least  
2 70 cents but less than 79 cents;
- 3 J. 10 cents if the excess over an exact multiple of \$2 is at  
4 least 79 cents but less than 87 cents;
- 5 K. 11 cents if the excess over an exact multiple of \$2 is at  
6 least 87 cents but less than 96 cents;
- 7 L. 12 cents if the excess over an exact multiple of \$2 is at  
8 least 96 cents but less than \$1.05;
- 9 M. 13 cents if the excess over an exact multiple of \$2 is at  
10 least \$1.05 but less than \$1.14;
- 11 N. 14 cents if the excess over an exact multiple of \$2 is at  
12 least \$1.14 but less than \$1.22;
- 13 O. 15 cents if the excess over an exact multiple of \$2 is at  
14 least \$1.22 but less than \$1.31;
- 15 P. 16 cents if the excess over an exact multiple of \$2 is at  
16 least \$1.31 but less than \$1.40;
- 17 Q. 17 cents if the excess over an exact multiple of \$2 is at  
18 least \$1.40 but less than \$1.48;
- 19 R. 18 cents if the excess over an exact multiple of \$2 is at  
20 least \$1.48 but less than \$1.57;
- 21 S. 19 cents if the excess over an exact multiple of \$2 is at  
22 least \$1.57 but less than \$1.66;
- 23 T. 20 cents if the excess over an exact multiple of \$2 is at  
24 least \$1.66 but less than \$1.74;
- 25 U. 21 cents if the excess over an exact multiple of \$2 is at  
26 least \$1.74 but less than \$1.83;
- 27 V. 22 cents if the excess over an exact multiple of \$2 is at  
28 least \$1.83 but less than \$1.92; and
- 29 W. 23 cents if the excess over an exact multiple of \$2 is at  
30 least \$1.92 but less than \$2.00; or
- 31 (ii) if the vehicle is a rental truck, as defined in § 11-106(a) of this  
32 subtitle:
- 33 1. ~~8~~ 40 cents for each exact dollar; and

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

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

6 [11-106.

7            (a)        In this section:

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

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

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

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

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

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

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

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

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

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

30                    (iii)        a farm vehicle exempt from the sales and use tax under §  
 31 11-201(a) of this title.

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

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

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

8 **Article - Transportation**

9 3-215.

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

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

20 (i) Bonds of prior issues;

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

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

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

29 (1) The motor fuel tax revenue distributed under §§ 2-1103(2) and  
 30 2-1104(4) of the Tax - General Article;

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

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

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

1 8-402.

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

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

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

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

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

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

13 (5) 80 PERCENT OF THE FUNDS DISTRIBUTED UNDER § 2-1302.1 OF THE  
14 TAX - GENERAL ARTICLE TO THE TRANSPORTATION TRUST FUND FROM THE SALES  
15 AND USE TAX COLLECTED ON SHORT-TERM VEHICLE RENTALS UNDER § 11-104 OF  
16 THE TAX - GENERAL ARTICLE.

17 11-178.

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

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

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

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

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

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

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



- 1 (B) "RENTAL VEHICLE" DOES NOT INCLUDE:
- 2 (1) A DUMP TRUCK, AS DESCRIBED IN § 13-919 OF THIS ARTICLE;
- 3 (2) A TOW TRUCK, AS DESCRIBED IN § 13-920 OF THIS ARTICLE; OR
- 4 (3) A FARM VEHICLE EXEMPT FROM THE SALES AND USE TAX UNDER §  
5 11-201(A) OF THE TAX - GENERAL ARTICLE.
- 6 13-810.
- 7 (a) On issuance in this State of an original or subsequent certificate of title for  
8 a vehicle, the vehicle is exempt from the excise tax imposed by this part, if it is:
- 9 (21) A Class M motor home or Class G travel trailer that is transferred or  
10 retitled in the dealership's name under § 15-305(d)(2) of this article; [or]
- 11 (22) A special purpose vehicle owned by a coal company if the vehicle is  
12 used:
- 13 (i) For transportation of workers, coal, or equipment used in the  
14 coal production process; and
- 15 (ii) Exclusively in or on coal mining property[.]; OR
- 16 (23) A RENTAL VEHICLE.

17 **Chapter 254 of the Acts of 1993, as amended by Chapter 125 of the Acts of**  
18 **1995**

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

25 **SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect**  
26 **June 1, 1993. [It shall remain effective for a period of 6 years and 1 month and, at the**  
27 **end of June 30, 1999, with no further action required by the General Assembly, this**  
28 **Act shall be abrogated and of no further force and effect.] The increased sales and use**  
29 **tax rate for short-term rentals of passenger cars and multipurpose passenger**  
30 **vehicles provided under this Act shall be applicable to all charges for rental**  
31 **agreements entered into on or after June 1, 1993 and before the termination of this**  
32 **Act. The altered definition of taxable price for short-term vehicle rentals and the**  
33 **sales and use tax rate provided under this Act shall be applicable to all rental**  
34 **agreements entered into on or after June 1, 1993 and before the termination of this**  
35 **Act. The credit for the vehicle excise tax on purchases of passenger cars and**  
36 **multipurpose vehicles used for short-term rentals provided under this Act shall apply**  
37 **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 the Department of  
4 Budget and Management, in consultation with the Comptroller's Office and the  
5 Department of Transportation, shall report by December 1, 1999, to the House Ways  
6 and Means Committee and the Senate Budget and Taxation Committee on the impact  
7 of this Act, including:

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

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

15 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
16 July 1, ~~1998~~ 1999; provided that the sales and use tax rate for short-term rentals of  
17 passenger cars and multipurpose passenger vehicles provided under this Act shall be  
18 applicable to all charges for rental agreements entered into on or after July 1, ~~1998~~  
19 1999; provided further that the excise tax exemption for rental vehicles provided  
20 under this Act shall be applicable to all rental vehicles titled on or after July 1, ~~1998~~  
21 1999; and provided further that sales and use tax credits resulting from rental  
22 vehicles titled before July 1, ~~1998~~ 1999 may be used in the manner authorized under  
23 § 11-106 of the Tax - General Article as it existed prior to its repeal under Section 1  
24 of this Act.