

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1056
Finance

(Senators Mathias and Smith)

Vehicle Laws - Personal Motor Vehicle Rentals

This bill establishes a statutory framework for the rental of a personal motor vehicle to another person through the use of a personal motor vehicle rental program and exempts this type of rental from existing laws that govern rental vehicles. The framework established by the bill is similar to the requirements for rental vehicles under current law. A violation of the bill's prohibitions is a misdemeanor, as specified by the Maryland Vehicle Law, and a violator is subject to a maximum \$500 fine.

Also, violation of specified provisions is an unfair or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA's civil and criminal penalty provisions.

Fiscal Summary

State Effect: The bill's imposition of existing penalty provisions is not anticipated to have a material impact on State finances or operations. If the Consumer Protection Division of the Office of the Attorney General receives fewer than 50 complaints per year stemming from the bill, the additional workload, from complaints of unfair and deceptive trade practices, can be handled with existing resources.

Local Effect: The bill's imposition of existing penalty provisions is not anticipated to have a material impact on local governmental finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Definitions and Applications

“Personal motor vehicle rental” means the paid use of a personal passenger motor vehicle by a person other than the registered owner through the use of a personal motor vehicle rental program. “Program” means the program or process (whether digital, electronic, or otherwise) used to make or facilitate a personal motor vehicle rental. “Provider” means a person that operates or administers a program. “Renter” means a person who rents a vehicle registered to another person through the use of a program.

The bill applies to a vehicle rental for a period of 180 days duration or less.

Authorized Rental Vehicles and Drivers of Rental Vehicles

The only vehicles that may be rented to another person through the use of a personal motor vehicle rental program are (1) personal Class A (passenger) vehicles; (2) Class E (truck) vehicles; or (3) Class M (multipurpose) vehicles. The renter of a Class A or Class M vehicle may not use the rented vehicle to transport individuals or property for hire.

An owner or provider may not rent a vehicle to another person unless each individual who will operate the rented vehicle either (1) holds a driver’s license issued by the Motor Vehicle Administration (MVA) to drive the class of vehicle being rented or (2) is a nonresident who has and keeps an appropriate driver’s license from his or her state or country of origin and is at least 16 and a half years old.

Insurance Requirements

An owner or provider may not rent a vehicle to another person unless the vehicle meets the minimum security required by law. The security requirement may be met if the owner of the vehicle maintains the required security as *secondary* to the renter’s own valid and collectable coverage, if applicable. If the owner of the rented motor vehicle provides the security in this manner, the rental agreement must include a conspicuous disclosure that informs the renter that his or her own personal vehicle insurance is the primary coverage for the vehicle. Any security on the rental vehicle must provide coverage for the owner of the vehicle, each individual who operates the vehicle with the permission of the owner, and each passenger in the vehicle. If MVA finds that an owner has failed to maintain the required security, it must suspend the vehicle’s registration.

Recordkeeping Requirements

A provider that rents or facilitates a personal motor vehicle rental to another person must keep a record of (1) the registration number of the rented vehicle; (2) the name and address of the renter; and (3) the driver's license number and date and place of issuance of any individual who will operate the rented vehicle. MVA or any police officer may inspect these records.

Fees and Pricing for Vehicle Rentals

An owner or provider that rents a personal motor vehicle to another person must (1) compute the daily rental rate based on a 24-hour period, starting at the time the rental period begins; (2) make a notation on the rental agreement of the time the rental period begins; (3) inform the renter that the fee is based on a 24-hour period; and (4) inform the renter that the time the rental period begins is noted on the rental agreement.

An owner or provider may not charge for the use of a rented personal motor vehicle after the motor vehicle has been returned, regardless of whether the renter informed the owner or provider in advance of intent to return the vehicle. A rental agreement must contain a conspicuous notice that explains this prohibition if a rental agreement requires a renter to notify the owner or provider in advance of intent to return the vehicle.

An owner or a provider may not, with intent to defraud, rent a vehicle to another person with any charge based on distance traveled, if the owner or provider knows the vehicle's odometer does not accurately record the actual accumulated mileage of the vehicle. An owner or provider may not deceive a renter as to the distance traveled during the rental period when any charge is based on the distance traveled.

Current Law/Background:

Required Security

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. The security required must provide at least the payment of claims:

- for bodily injury or death arising from an accident of up to \$30,000 for any one person and up to \$60,000 for any two or more persons;
- for property of others damaged or destroyed in an accident of up to \$15,000;
- unless waived or exempt by Chapters 425 and 426 of 2016, for personal injury protection (PIP) of \$2,500 per person; and

- for uninsured motorist coverage (unless waived, the amount equals the amount of liability coverage provided under the policy; if waived, the amount equals the minimum required insurance for liability coverage).

If the first-named insured does waive PIP, the waiver (1) constitutes a waiver under the first-named insured's policy or any other motor vehicle liability insurance policy in the State and (2) is binding on each named insured, each listed driver, and each member of the first-named insured's family who is age 16 or older and resides in the first-named insured's household.

If the required security for a vehicle lapses, MVA may assess the owner of the vehicle a penalty of \$150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of \$7 for each day, but the total fine may not exceed \$2,500 annually, not including the additional misdemeanor penalty of up to \$500, which may be prepaid with a fine of \$290. Knowingly operating a vehicle without adequate security is a misdemeanor, subject to maximum penalties of a \$1,000 fine and/or one year imprisonment for a first offense and a \$1,000 fine and/or two years imprisonment for a subsequent offense. The violation requires a court appearance, results in the imposition of five points on the driver's record, and subjects the driver to participation in the Driver Improvement Program.

The Maryland Vehicle Law and Rental Vehicles

The Maryland Vehicle Law governs rental vehicles. Generally, a violation of the Maryland Vehicle Law is a misdemeanor that carries a fine of up to \$500.

A rental vehicle must maintain the minimum security required by law. For a replacement vehicle (which is a type of rental vehicle that is loaned out to or rented temporarily by a person while the person's own vehicle is not in use because of a breakdown, repair, etc.), the security requirement may also be met if the rented vehicle's coverage is secondary to the person's personal insurance coverage, if the personal coverage maintains the required security. If applicable, this information must be disclosed to a renter in a specified manner.

A person may not rent a motor vehicle, trailer, or semitrailer to any other person unless the individual who will operate the rented vehicle either (1) holds a driver's license issued by MVA to drive or tow the class of vehicle being rented or (2) is a nonresident who has and keeps an appropriate driver's license from his or her state or country of origin and is at least the same age required of a resident to drive or tow the class of vehicle being rented. The lessor of the rented vehicle or the agent must inspect a renter's license to ensure it is valid and appropriate for the vehicle being rented. Each person who rents a motor vehicle to another person must keep specified records of the transaction, including the renter's name, address, and driver's license number. MVA or any police officer may inspect these records.

Rental rates must be calculated in a specified manner based on a 24-hour period. A person may not, with intent to defraud, rent a vehicle to another person with any charge based on distance traveled, if the person knows the vehicle's odometer does not accurately record the actual accumulated mileage of the vehicle. A person may not deceive a renter as to the distance traveled during the rental period when any charge is based on the distance traveled. A rental vehicle company is authorized to charge a consumer a separately stated fee for specified costs incurred, such as any concession fees paid to a government-owned or -operated airport.

It is a misdemeanor to violate any provision of the Maryland Vehicle Law, unless the violation is declared to be a felony or is punishable by a civil penalty, as specified.

Unfair or Deceptive Trade Practices

An unfair or deceptive trade practice under MCPA includes, among other acts, any false, falsely disparaging, or misleading oral or written statement, visual description, or other representation of any kind which has the capacity, tendency, or effect of deceiving or misleading consumers. The prohibition against engaging in any unfair or deceptive trade practice encompasses the offer for or actual sale, lease, rental, loan, or bailment of any consumer goods, consumer realty, or consumer services; the extension of consumer credit; the collection of consumer debt; or the offer for or actual purchase of consumer goods or consumer realty from a consumer by a merchant whose business includes paying off consumer debt in connection with the purchase of any consumer goods or consumer realty from a consumer.

The Consumer Protection Division is responsible for enforcing MCPA and investigating the complaints of aggrieved consumers. The division may attempt to conciliate the matter, issue a cease and desist order, or file a civil action in court. A merchant who violates MCPA is subject to a fine of up to \$1,000 for the first violation and up to \$5,000 for each subsequent violation. In addition to any civil penalties that may be imposed, any person who violates MCPA is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$1,000 and/or imprisonment for up to one year.

Additional Information

Prior Introductions: None.

Cross File: HB 1520 (Delegates Flanagan and McCray) - Environment and Transportation.

Information Source(s): Office of the Attorney General (Consumer Protection Division); Department of State Police; Maryland Department of Transportation; Maryland Insurance Administration; Department of Legislative Services

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