

EHI_FAV_573_Screenshots

Uploaded by: Johansen, Mike

Position: FAV



EHI SUPPORT of SB573

Sales and Use Tax – Short-Term Rental Vehicles and Peer-to-Peer Car Sharing – Rate Alteration and Sunset Repeal

P2P Company Screenshots

Budget and Taxation
Committee

February 19, 2020

P2P Screenshots

P2P companies argue that Maryland should not impose the same sales tax on consumers obtaining the use of vehicles on their platforms as the state does for consumers obtaining a vehicle from incumbent rental car companies, in part because **they are:**

→ ***not*** renting cars;

→ ***not*** in the rental car industry;

→ ***not*** direct competitors to incumbent rental car companies; and

→ ***not*** seeking rental car customers...

TURO

turo



**"This car rental service will
make your next trip so easy"**

elite daily



Install Now



Toyota car rental alternatives near Baltimore/Washington International Thurgood Marshall Airport

Where

City, airport, address, or hotel

From

02/18/2020

10:00 AM

Until

02/25/2020

10:00 AM

Search for cars

United States → Car rental alternatives → BWI → Toyota

Top cars in Baltimore, Baltimore/Washington International Thurgood Marshall Airport



Toyota Camry 2014

4.9 ★ (135 trips)



Turo - Better Than Car Rental

Turo Inc.

★★★★★

GET — On the App Store

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Learn more

Sign up

Log in



Way better than a rental car

Book unforgettable cars from trusted hosts around the world

Where

City, airport, address, or hotel

From

02/19/2020

10:00 AM

Until

02/22/2020

10:00 AM

Search





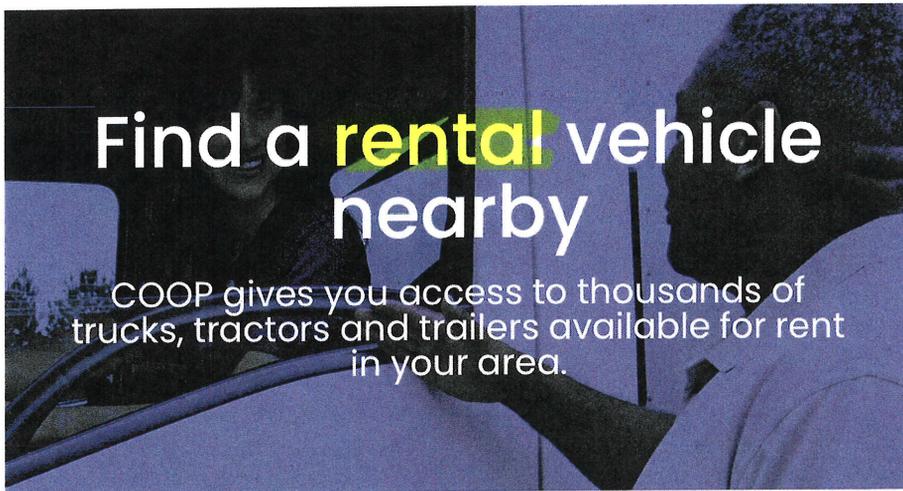
List your truck

Sign In

Register



1-877-747-5352



Some of our featured vehicles



\$55 • Per Day



2013 Isuzu NPR HD

16' Box Truck

Find a Truck





List your truck Sign In Register

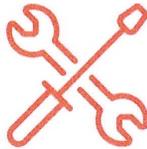
A better way to rent trucks



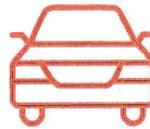
Competitive rental rates



Large inventory of vehicles



24/7 roadside assistance included



Free UBER ride to your pick-up location

Safer rental with our insurance options

Bring your own coverage or choose COOP's physical damage and \$1M liability policy.

Insurance Provider



ASSURANT®

Brought to you by Marsh

Find a Truck





Instagram



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Always Easy

Skip the rental lines, get your car, & hit the road faster.



AvailSM
protected by Allstate[®]

Book Now



2 likes

shareavail Lower prices than rental car companies. No surprise fees, gas markups, or under-25 fees.





Get your replacement car

CHOOSE YOUR BOOKING DATES:

Booking Start Date
Feb 18, 2020

Booking End Date
Feb 18, 2020

FILTER:

All Categories ▾



2017 Chevy Malibu (White)



Instantly rent cars near you.

Unlock from your phone by the hour or day.



Continue with Facebook



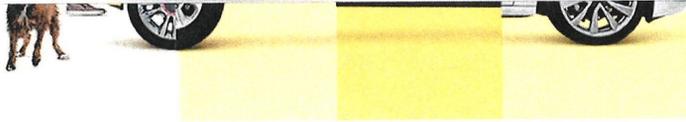
Continue with Google



Own a car?

Start earning





Rent cars near you

Convenient hourly and daily rentals. Insurance included.



Sedan / Coupe

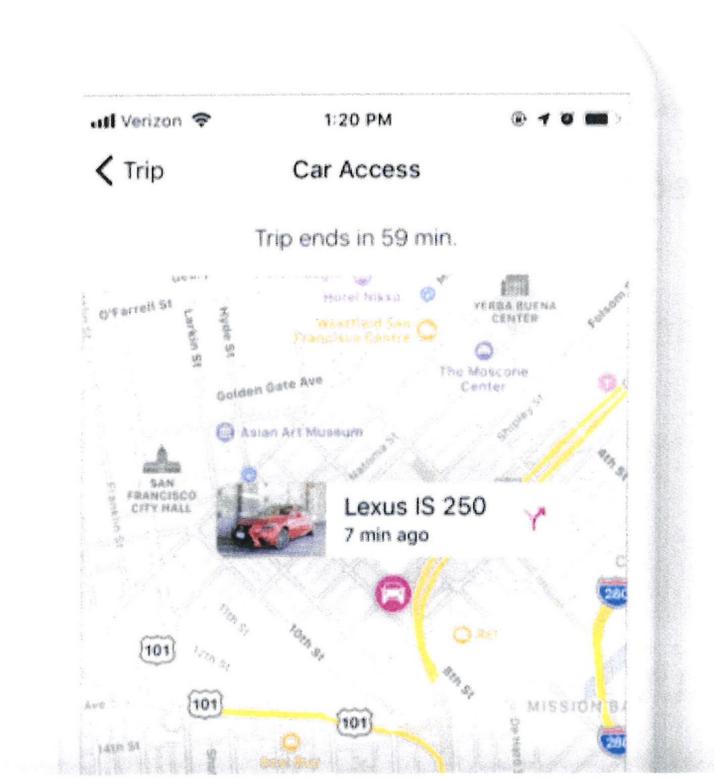


SUV / Jeep

Getaround Connect® technology helps you locate and unlock the car with your phone.

Feel great

Carsharing reduces parking stress and the raw material used in car manufacturing. That's good for your neighborhood and the environment.



Verizon LTE

7:50 PM

18%

AA

maven.com



Maven – Car Sharing
General Motors Company
★★★★☆
GET — On the App Store

View

MAVEN CAR SHARING

New Cars, Loaded with Technology
Free lifetime membership.

Download on the App Store

ANDROID APP ON Google play

SIGN UP

The advertisement banner features a background image of a modern building's facade with a grid of windows. The text is centered and white. There are two app store download buttons and a yellow 'SIGN UP' button. At the bottom of the banner, there are two small white dots, one of which is highlighted in blue.

Own a Car? List Your Car. Rent It Out. Earn Money.



Instagram

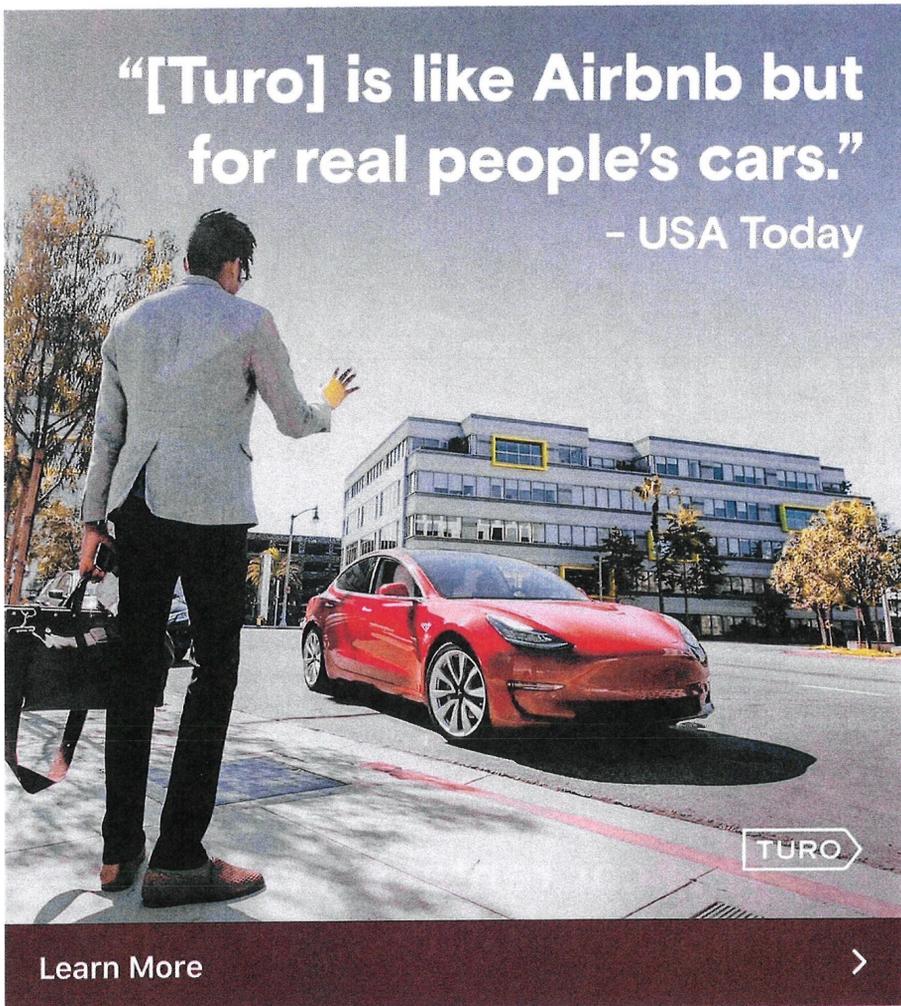


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turo See how car owners can average \$706/month without





If P2P companies are not in the car rental business then what business are they in?

EHI_FAV_SB573_EconImpactModel

Uploaded by: Johansen, Mike

Position: FAV

Enterprise Rent-A-Car Economic Impact Model

Direct Economic Activity Associated with Rental Car Operations

Employment:	1,773
Payroll:	\$91,061,723
State & Local Payroll Taxes: (if applicable)	\$6,023,253
Property Taxes/Property Improvement:	\$857,502
Vehicle Based Taxes & Registration Fees:	\$4,356,666
State/Local Sales, Income, Business and other Taxes:	\$63,220,324
Total State & Local Tax Payments:	\$74,457,745
Charitable Donations:	\$1,397,135
Total Direct Activity:	\$166,916,603

Indirect Economic Activity Associated with Rental Car Operations

Indirect Employment:	1,823
Stimulated Household spending:	\$30,050,369
Total Indirect Activity:	\$30,050,369

Total Estimated Direct and Indirect Economic Activity Associated with Enterprise Car Rental Operations:

\$196,966,972

Definitions:

ENTERPRISE HOLDINGS.

Direct Activity: Activity directly due to Enterprise Operations; dollars spend directly by Enterprise branches or people employed at Enterprise branches.

Indirect Employment: The employment that exists because of the rental car establishment's presence, either by suppliers of the establishment or the jobs supported by the consumer spending of establishment employees

Stimulated Household Spending: The consumer spending stimulated by the presence of the establishment. When an Enterprise employee spends his or her salary at a local retail business, some of those dollars are re-circulated through the economy by the employees of those other local businesses.

Indirect Business Impacts: Revenue at other local businesses (ie, car dealers, repair facilities) that is due to their business relationship with Enterprise branches.

EHI_FAV_SB573_P2P_Parity

Uploaded by: Johansen, Mike

Position: FAV



EHI SUPPORT of SB573

Sales and Use Tax – Short-Term Rental
Vehicles and Peer-to-Peer Car Sharing –
Rate Alteration and Sunset Repeal

Budget and Taxation Committee

February 19, 2020

BACKGROUND

2018 Maryland General Assembly: Peer-to-Peer Legislation

- Legislation passed to regulate peer-to-peer car sharing platforms **in nearly identical fashion to incumbent rental car companies.**
- The primary focus of the 2018 legislation was to ensure the protection and safety of consumers renting vehicles from P2P companies as well as third parties affected by P2P car rentals.



CH 852 of 2018 (P2P Car Rental Statutory Provisions)

PARITY

- P2P Insurance Provisions → **PARITY** with *existing rental car requirements*
- P2P Licensing → **PARITY** with *existing rental car requirements*
- P2P Disclosures → **PARITY** with *existing rental car requirements*
- P2P Consumer Protections → **PARITY** with *existing rental car requirements*
- P2P General Prohibitions → **PARITY** with *existing rental car requirements*
- P2P Airport Concessions → **PARITY** with *existing rental car requirements*
- P2P Regulatory Oversight → **PARITY** with *existing rental car requirements*

NO PARITY

- P2P Sales and Use Tax → **NO PARITY** with *existing rental car tax*

ISSUE

Current Maryland law does not tax the similar commercial activity of renting/sharing a vehicle equally.

Inequality in Tax Rates

Sales and Use Rate on **Incumbent Rental Car** Transactions:

11.5%

On consumer transactions for **passenger car rental**

8%

On consumer transactions for **truck rental**

Vs.

Sales and Use Rate on **Peer-to-Peer Car** Transactions:

8%

On **all consumer transactions**, for all rentals regardless of the type of vehicle*

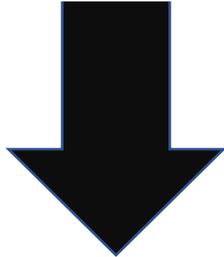
**This provision sunsets June 30, 2020 (CH 852 2018)*

PROPOSED SOLUTION

Equalize the Sales and Use Tax rates for businesses engaged in the same commercial activity



Why?



1

Purpose

2

Precedent

3

Fairness

4

Revenue

PURPOSE

Sales and Use tax is a consumption tax.

1.

Purpose

2

Precedent

3

Fairness

4

Revenue

MARYLAND'S SALES AND USE TAX IS:

- ✓ **A tax paid directly by the consumer.**
- ✓ *A tax on the consumption of goods and services.*
- ✓ *A tax based on the commercial transaction.*
- ✓ **A tax that treats similar goods and similar services equally (ensuring fairness within industries).**
- ✓ *A tax collected by the vendor and remitted to the State.*

MARYLAND'S SALES AND USE TAX IS NOT:

- ✗ **A tax based on how long a business has been in existence.**
- ✗ *A tax based on where the business is located (in or out of state).*
- ✗ *A tax based on whether the goods or services are purchased online or in person.*
- ✗ *A tax based on how big or small the business providing goods or services is.*
- ✗ **A tax based on how other taxes are applied.**

PRECEDENT

Asked and answered by the General Assembly.



Home-Sharing Rentals

Transactions with home-sharing rental platforms **are taxed at the same rate** as transactions on hotels (Ch. 758 of 2019).



Online vs. In-Person

Transactions for similar goods and services **are taxed at the same rate** whether occurring online or in-person, in state or out of state (marketplace facilitators).



Cost of Acquisition

Transactions for similar goods and services **are taxed at the same rate** regardless of the cost to acquire/manufacture the good (including the tax on materials) or the prior use of the good.



FAIRNESS

Maryland's incumbent rental car business model operates at a competitive disadvantage.

- 1 Purpose
- 2 Precedent
- 3 **Fairness**
- 4 Revenue

- **When competing for the same consumer looking to rent a vehicle in Maryland, P2P companies should not be afforded the clear economic advantage of a lower Sales and Use Rate.**
 - The consumer will always search for the best deal.
- **P2P companies are just a new business model for delivering rental cars to consumers.**
 - Incumbent rental car companies provide on-line, app-based car rental too.
- **P2P platforms rent vehicles from every kind of owner.**
 - Not just privately owned vehicles, but fleets from body shops, dealers, traditional car rental companies, and "power hosts."
- **Proliferation and growth of P2P Rentals, which now includes insurance companies and vehicle manufacturers.**
 - This is not David vs. Goliath (See next 5 slides).



P2P RENTAL COMPANIES

A screenshot of a web browser displaying the Getaround website. The browser's address bar shows the URL https://www.getaround.com/. The page content includes a navigation bar with a search field, a main heading 'Rent cars near you', a sub-heading 'Convenient hourly and daily rentals. Insurance included.', and a grid of six car categories: Sedan / Coupe, SUV / Jeep, Hatchback / Wagon, a convertible, a minivan, and a pickup truck. At the bottom, there is a purple banner with the text 'Own a car? Share on Getaround and earn \$1000s.' and a 'Start earning' button. The Windows taskbar is visible at the bottom of the screenshot, showing the search bar and several application icons.

https://www.getaround.com/

Getaround Inc. [US] Search...

Rent cars near you

Convenient hourly and daily rentals. Insurance included.

- Sedan / Coupe
- SUV / Jeep
- Hatchback / Wagon
- Convertible
- Minivan
- Pickup Truck

Own a car?
Share on Getaround and earn \$1000s.

Start earning

Type here to search

4:26 PM
1/20/2020

P2P RENTAL COMPANIES



The screenshot shows the TURO website interface. At the top left is the TURO logo. On the right side of the top navigation bar are links for "List your car", "Learn more", "Sign up", and "Log in", along with a user profile icon. The main content area features a large background image of a white SUV driving on a winding road through a hilly, wooded landscape. Overlaid on this image is the headline "Way better than a rental car" in a large, white, serif font, with the sub-headline "Book unforgettable cars from trusted hosts around the world" in a smaller, white, sans-serif font below it. A search bar is positioned below the headline, containing three input fields: "Where" with the placeholder "City, airport, address, or hotel", "From" with the date and time "01/22/2020 10:00 AM", and "Until" with the date and time "01/25/2020 10:00 AM". A green search icon is on the right side of the search bar. Below the search bar, the text "INSURANCE PROVIDER" is displayed above the Liberty Mutual Insurance logo. The bottom of the screenshot shows a Windows taskbar with a search bar, several application icons, and a system tray showing the time as 4:21 PM on 1/20/2020.



P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)

The screenshot shows a web browser window with the URL <https://flarecar.com/>. The page features the Flare logo with the tagline "protected by Allstate". A navigation menu includes "About Us", "How it Works", "Contact Us", and "FAQs". The main headline reads "Get back on the road", followed by a descriptive paragraph and a prominent "Book Now" button. The background is a colorful illustration of a winding road with a car, mountains, and a sun.



[About Us](#) [How it Works](#) [Contact Us](#) [FAQs](#)

Get back on the road

Flare, protected by Allstate, is the cost-effective, hassle-free way to get you behind the wheel again. Flare will deliver a replacement vehicle of your choice directly to you, while your repair shop is at work. Together, Flare and Allstate have your back.

[Book Now](#)

P2P RENTAL COMPANIES (INSURANCE INDUSTRY ENTRANT)

A screenshot of a web browser displaying the Avail website's 'Protected by Allstate' page. The browser's address bar shows the URL 'https://availcarsharing.com/protected-by-allstate'. The page has a navigation menu with 'Borrow a Car', 'Park & Share', and 'Insurance by Allstate' (which is underlined). The Avail logo with 'protected by Allstate' is in the top right. The main content area has a heading 'Protected By Allstate' and a sub-heading 'Your car is protected by Allstate'. Below this is a paragraph explaining the insurance policy. There are two columns of text: 'How it works' and 'Accident-related replacement and repairs'. The 'How it works' section includes a 'Keep in mind' note. The 'Accident-related replacement and repairs' section contains a bulleted list. At the bottom, the Windows taskbar is visible with the search bar and several application icons. The system tray shows the time as 4:37 PM on 1/20/2020.

← Back to previous page

Protected By Allstate

Your car is protected by Allstate

We're here to help you understand how Avail's insurance policy works. This is a simplified version of what you're covered for, when coverage applies, and how claims are handled. If you have any questions let us know.

How it works

Avail's insurance policy will provide coverage to an eligible vehicle while it is actively listed on the Avail and available for immediate borrowing.

-If you're using **Avail at an airport**, your car is covered for the entirety of your trip, from pick up to drop off, or vice versa if you're sharing a car.

-If you're using **Avail at an apartment building**, your vehicle is covered the entire time it's listed as available on the Avail app (requires your vehicle's keys to be in the lockbox), including when it is out on a trip.

Keep in mind - In order for Comprehensive and Collision coverage to apply to your car, vehicle owners must have Comprehensive and Collision coverage on their personal auto policy. This is a requirement to protect Avail from fraud.

Accident-related replacement and repairs

Avail provides collision insurance coverage that helps pay to repair or replace the vehicle if it's damaged in an accident with another vehicle or object, such as a fence or a tree.

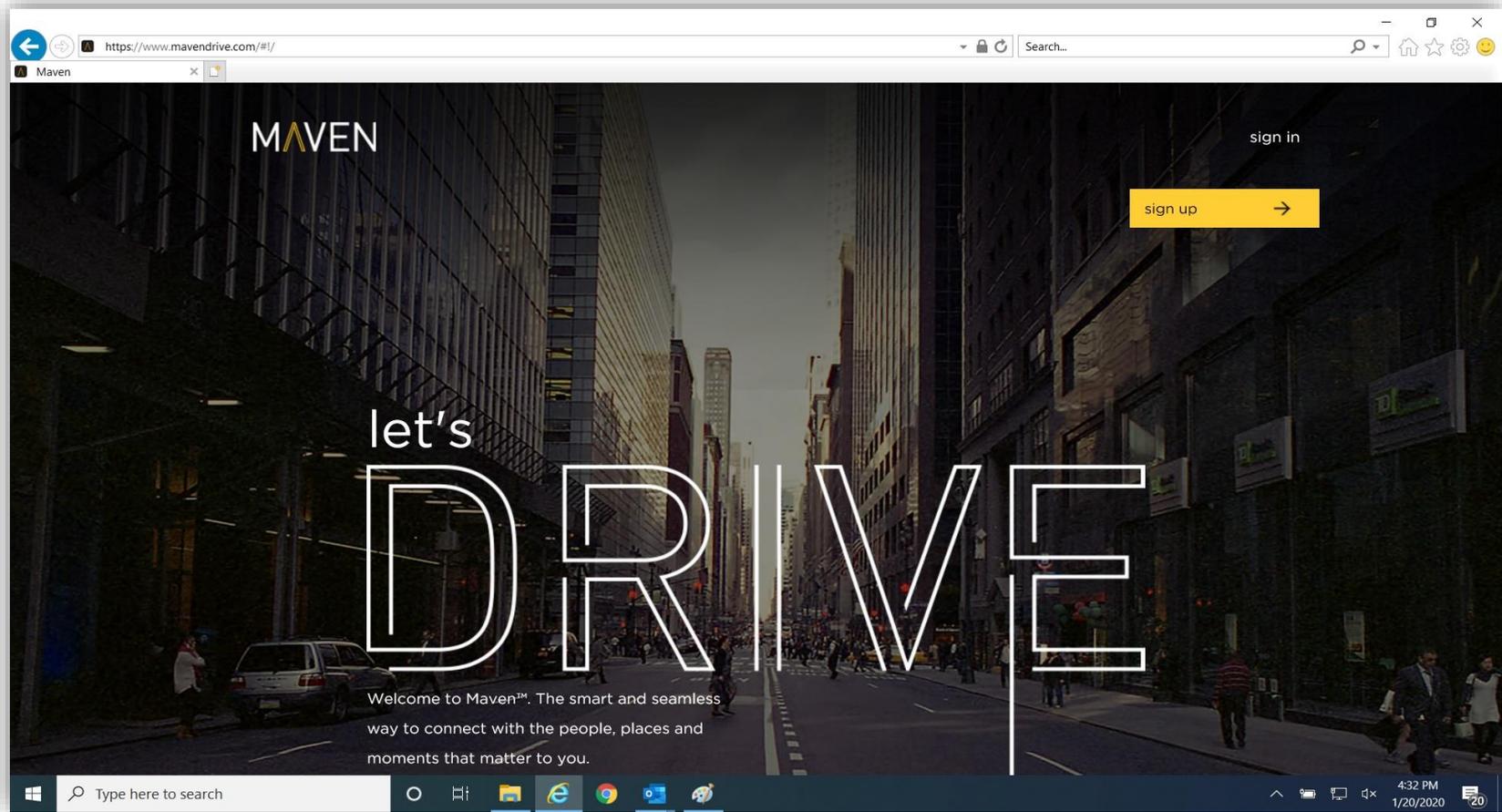
- **As an owner**, this coverage will help pay to replace or repair the damages to your vehicle if it is involved in a collision while being borrowed
- **As a driver**, this coverage will help pay to replace or repair the damages to the vehicle if it is involved in a collision while you are borrowing it.

Non-accident related replacement and repairs

Avail has comprehensive insurance coverage that helps pay to replace or repair the vehicle (minus the deductible for drivers) if it's stolen or damaged

What does the coverage provide to both owners and

P2P RENTAL COMPANIES (VEHICLE MANUFACTURER ENTRANT)



REVENUE

Maryland collects a substantial amount of revenue annually from the Sales and Use tax on short-term rentals.



In FY'19, Maryland collected approximately \$76 million from rental car Sales and Use tax revenue.

- TTF (45%)
- Chesapeake and Atlantic Coastal Bays Trust Fund

Maryland will lose considerable revenue if it does not equalize the Sales and Use tax rate for the entire rental car industry.

- P2P rental companies continue to grow, which is welcome.
- P2P companies and incumbent rental companies compete for the same customers in the marketplace.
- P2P companies should no longer be afforded a competitive pricing advantage.

KSyrylo_FAV_SB573

Uploaded by: Johansen, Mike

Position: FAV

Date: February 19, 2020

To: Senator Guy Guzzone, Chairman, and Members of the Budget and Taxation Committee

From: Karen T. Syrylo, CPA

RE: Support of SB573 – Sales and Use Tax – Short-Term Rental Vehicles and Peer-to-Peer Car Sharing – Rate Alteration and Sunset Repeal

As a CPA in Maryland for over 40 years, my special focus area has been assisting clients with their multistate tax matters – sales taxes, income taxes, others. I’ve been asked to discuss for your consideration several general sales tax principles that relate to the issues for the car rental business and the peer-to-peer car sharing business. There are analogies to these two businesses that are present in how sales tax is applied to other industries and across the country.

The first sales tax principle I want to mention is “horizontal equity.” This is an economics principle that means that when I am buying a sales taxable product or service, I should be paying the same sales tax rate no matter where I buy that item. For example, if I am shopping for a new winter scarf, it shouldn’t matter whether I buy that scarf from a large store like Target or Macy’s, or from the small neighborhood store where the owner lives in the apartment above the store, or online through Etsy from the lady who knits scarves in her living room. In each case I am buying a scarf and should pay the same sales tax rate. The analogy to your topic today is that under horizontal equity, where I as the customer am renting a car, the same sales tax rate should apply to my rental transaction no matter who is renting the car to me.

Similarly, this same principle is why Maryland and every other state has a “use tax” that is complementary to the sales tax. That is, it doesn’t matter whether I have bought my product from a Maryland seller or from out of state. If a non-Maryland seller hasn’t charged me the Maryland sales tax, I still owe the complementary Maryland use tax on my purchase. Horizontally, the in-state and out of state purchase are taxed at the same rate. (Disregarding for now the matter that until the Supreme Court’s *Wayfair* ruling, a lot of people didn’t pay that use tax even though it has been in the law that the tax was owed.)

The second principle to mention is the resale exemption. This is not a “loophole” as it is described in Turo’s documents. A “loophole” is an unintended consequence, a provision that is being used to do something different from what it was designed to do. The resale exemption is an intentional tax policy. For today’s topic, this is the provision where the car rental business doesn’t pay the sales tax when it buys the cars it will be renting and charging sales tax on that rental transaction.

Sales taxes are taxes on the sales to the ultimate consumer. There is no tax on sales by a manufacturer, or a wholesaler; only the retailer charges the tax on his sale to the consumer who bears the cost of the sales tax.

The resale exemption applies anywhere a business is selling a product or service that will be sales taxed when sold to the consumer. It means that the business doesn’t pay sales tax on purchases of items that go into the item it will sell. All states that impose sales taxes have the resale exemption. It is good policy because it avoids economic anomalies e.g. tax on tax or differences in production techniques.

For example, Black & Decker as a manufacturer pays no sales tax when it buys the metals and plastics and wires etc. to make its drills, and Home Depot pays no sales tax when it buys the drills from Black & Decker; but I pay the sales tax when I buy the drill at Home Depot. This is the same as a business that rents cars not paying tax when it buys the cars it will rent, just like Black & Decker doesn't pay tax on the materials that go into the product it makes, which will ultimately be sold and sales tax collected on that sale.

However, within the concept of this exemption is also a principle of "dual use" e.g. just like its purchases of component parts are sales tax exempt, a manufacturer also pays no tax on its manufacturing equipment including a computer that runs the manufacturing machinery; the machinery is treated the same as the product's component parts for sales tax purposes. But if that computer is not used predominantly for controlling the manufacturing machines but is also used for running the accounting books and other non-manufacturing purposes, the computer will not meet the requirements for the resale sales tax exemption and the business will have to pay sales tax when it buys that computer. The analogy for cars is that if the car is purchased for dual use, i.e. for sometimes rental and sometimes personal use, just like the non-manufacturing use of the computer makes it not exempt, if the personal use of the car is predominant, then the purchase of that car would not be exempt from sales tax; the personal use of the car makes its purchase taxable and not exempt under the resale exemption when it is purchased.

And regardless of whether or not the purchase of the car that will be rented is exempt from sales tax under the resale exemption rule, because that rule applies to the *purchase* of the car, the horizontal equity principle would still apply to say that the *sale* transaction, i.e. the rental, should still be subject to the same sales tax rate no matter from whom the customer is renting the car – just like the issue of whether or not Black & Decker pays sales tax when it buys the manufacturing computer shouldn't impact the sales tax I pay whether I buy the drill from Home Depot or another seller.

A last matter has to do with accounting. Mention has been made about the fact that rental car businesses are allowed to separately state license fees on the invoice to the rental customer; this has been called a subsidy that unfairly allows the business to recoup its overhead. But in business accounting, every business makes the choice of which costs to separately disclose to the customer on separate lines on the invoice versus whether to just wrap those costs into determining how much total price to charge the customer. For example, Seller A may separate out on its invoice \$90 for the product cost plus \$10 for shipping the product to the customer for a total invoice price of \$100. Seller B may choose not to separately state the shipping but rather to just have one line that says \$100 price. In both cases the overhead cost of the shipping is part of the total paid by the customer, unaffected by how the seller chose to disclose or not disclose the detail. And in Maryland the separately stated license fees make no difference for sales tax revenue considerations, because those fees are included in the price on which sales tax must be charged.

Respectfully submitted,

Karen T. Syrylo, CPA
410-218-2898
ksyrylo@verizon.net

life-of-a-car-fact-sheet-maryland-2020-

Uploaded by: DiPietro, Chris

Position: UNF

THE LIFECYCLE OF CAR OWNERSHIP IN MARYLAND



PERSONAL CAR OWNER

annual income of \$48,150ⁱ

Car purchased at retail rate
(car retail value of \$37,185)¹

\$37,185

Sales tax paid on car purchase³

\$2,231

Vehicle registration and titling costs⁵

\$318

Average length of car ownership⁷

88.8 months

Total vehicle registration and
titling costs (estimate for 7.4 years)

\$958

Sale price of car when sold at
depreciated retail value⁹

\$10,080

**TOTAL COST OF
CAR OWNERSHIP**

\$30,294



RENTAL CAR COMPANY

\$31.9 billion in revenueⁱⁱ

Car purchased at wholesale rate
(car retail value of \$37,185)²

\$22,311

Sales tax paid on car purchase⁴

\$0

Vehicle registration and titling costs⁶

\$0

Average length of car ownership⁸

13 months

Total vehicle registration
and titling costs (13 months)

\$0

Sale price of car when sold at
depreciated retail value¹⁰

\$27,888

**TOTAL COST OF
CAR OWNERSHIP**

\$0

\$5,577
in profit
from car ownership
(plus rental income and corporate
tax breaks)

- i. Mean income per capita for 2017 is \$48,150.. <https://www.thebalance.com/what-is-average-income-in-usa-family-household-history-3306189>
 - ii. Rental car companies reported \$31.9B in global revenue in 2019.
<http://digital.autorentalnews.com/factbook2020#&pageSet=5>
 - 1. Average cost of a vehicle is \$37,185. Source: <https://prn.to/2DOe6Pw>
 - 2. Average wholesale savings is 40 to 60%. Source: <https://cars.lovetoknow.com/buying-cars-wholesale>
 - 3. Maryland state sales tax is 6%. Source: <https://www.salestaxhandbook.com/maryland/sales-tax-vehicles>
 - 4. Rental car companies do not pay sales tax on vehicle purchases. Source: <https://netchoice.org/wp-content/uploads/netchoice-policy-note-v10.pdf>
 - 5. Maryland average vehicle registration and titling costs. Source: <https://www.compare.com/auto-insurance/coverage/vehicle-costs>
 - 6. Rental car companies pass all vehicle registration and titling fees onto their customers. Source: <https://www.wired.com/2014/12/silly-fees-rental-car-blame-local-politicians/>
 - 7. Average length of personal car ownership is 7.4 years. Source: <https://www.sfgate.com/cars/slideshow/Length-of-ownership-for-most-popular-cars-183975.php>
 - 8. Average length of rental car vehicle ownership is 13 months. Source: <https://www.fool.com/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx>
 - 9. Average retail price of \$37,185 car after 7.4 years is \$10,080. Source: <https://goodcalculators.com/car-depreciation-calculator/>
 - 10. Average retail price of \$37,185 car after 13 months is \$27,888. Source: <https://goodcalculators.com/car-depreciation-calculator/>
- Total Cost of Car Ownership calculation: car purchase price plus sales tax paid plus vehicle registration and titling costs multiplied by years of ownership minus depreciated sale price.

SB573 Testimony - Turo Inc

Uploaded by: Peacock, Michelle

Position: UNF

Maryland Senate Budget and Taxation Committee
Wednesday February 19, 2020
Testimony of Michelle M. Peacock
Vice President and Head of Government Relations Turo, Inc.

**SB573 – Sales and use Tax Short-Term Rental Vehicles and Peer to Peer Car Sharing Rate
Alteration and Sunset Repeal – UFAVORABLE**

Background:

In 2018, the Maryland legislature enacted SB743, a ground-breaking piece of legislation that marked the first thorough and modern peer-to-peer car sharing regulatory framework in the country. The legislation outlined the rules under which a peer-to-peer car sharing platform might operate in Maryland while properly protecting the interests and outlining obligations of car owner host customers, driving guest customers, the insurance industry and the peer-to-peer car sharing platform providers.

Peer-to-peer car sharing is conducted between a car owner and a guest customer who meet on an online platform and make arrangement to share a car. The platform does not own any cars, and the host makes all the decisions about what car to share, how the key exchange will work, how many miles the guest can drive, pricing, delivery and any extras. The platform charges a percentage of the transaction, often around 25%, and provides the insurance protections required by the law.

This business model is fundamentally different than the rental car company model. The rental car industry owns millions of cars obtained at discounted wholesale rates. In Maryland, the rental car industry pays zero sales tax on the purchase of those cars – a tax exemption benefit worth over \$76 million a year to the rental car industry. The rental car industry also pays no license and registration fees for those cars, as that entire cost is passed onto the consumer in the form of a Vehicle License Fee (VLF) added to the daily rate of the car at checkout. At \$0.56 per day per car, the rental car industry increases their profits by \$5 million a year by passing those fees onto their customers who believe that fee is another tax going to the government.

Maryland residents who share cars on peer-to-peer car sharing platforms do not enjoy any of those financial benefits, because every single one has paid sales tax on the purchase of the car and paid to title and register the car in the State of Maryland. Turo estimates that their customers have paid over \$11 million in sales tax to the State when purchasing the cars they share on the platform.

The sales tax and the VLF are just two vivid examples of how these completely different these industries are. Maryland simply underscored these differences in enactment of the legislation in 2018.

Another difference between the two industries can be found in the costs of the consumer protections and liabilities and insurance obligations associated with the two different businesses. Insurance purchased by the peer-to-peer car sharing platform for their customers can cost as much as 60% of the final car sharing price. Contrast this with the car rental industry who only maintains a minimum amount of insurance nearly no liability. These costs of doing business are starkly different – and should factor into how the State of Maryland proceeds with respect to the transaction tax.

Lawmakers on the Senate Finance Committee in 2018 may recall the contentious debate about the transaction/sales tax – with the rental car industry pushing for “parity” on the tax and claiming peer-to-peer car sharing taxes must be taxed identically to rental car at 11.5%. The peer-to-peer car sharing industry, pointing out the millions of dollars in sales tax exemptions that are not extended to their customers, claimed it was inappropriate to tax identically and offered to facilitate the collection and payment of the state standard sales tax of 6%.

Unfortunately, in 2018 the rental car industry continued to oppose this plan until they secured an 8% tax to be placed on peer-to-peer transactions in exchange for their neutrality on the legislation. There was no substance to that figure, no data to back it up, no explanation about how it arrived at that rate. Given the all the work that went into the bill that year, the committee took the path of least resistance – granting the rental car industry what they wanted and codified the 8% rate. However, this 8% rate is scheduled to sunset in June 2020.

Where does that leave us today? The disproportionately high rate of 8% has had a chilling effect on the peer-to-peer car sharing industry in Maryland, especially when considering the rapid growth of the business in neighboring states of Pennsylvania, New Jersey and Virginia. The business is growing in all markets, but Maryland’s growth 5-10 points slower than neighboring markets. The only difference between the markets is this very high tax.

The negative effect of too-high taxes on the growth of an emerging industry was documented recently in a report from the State of Colorado Department of Transportation, “2019 Emerging Mobility Impact Study.”¹ This 99-page study compares elasticity of demand by consumers of peer-to-peer car sharing and consumers of rental cars. It determined that while the rental car industry enjoys high inelasticity – that is, consumers will rent from them regardless of increased prices – the opposite is true for peer-to-peer car sharing. The study found the nascent industry suffers from very elastic demand – meaning that at higher consumer prices, the consumer will abandon peer-to-peer and obtain temporary use of a car from a rental car company. Certainly, this backs up what Turo has directly experienced in Maryland, a significant slowing of growth of the new peer-to-peer car sharing industry.

¹ *2019 Emerging Mobility Impact Study*. State of Colorado Department of Transportation and Colorado Energy Office, November 2019. <https://www.codot.gov/library/studies/emerging-mobility-impact-study/emis-documents/2019-emis-report.pdf>

It is very important that the legislature factor inelasticity into their calculations of estimated revenue to be raised by the peer-to-peer car sharing industry via a transaction tax. Too high of a rate risks putting the brakes on growth, thus undermining the future of programs the tax collection is meant to support. Government programs that count on the revenue one year, may see those funds diminish or dry up over time.

Finally, it is important to note that in 2018 and to date, no traditional rental car company owns or operates a peer-to-peer car sharing business of any kind. A few operate fleet-owned car sharing, which is essentially a rental car business where the customer does not access the car at a rental car company-owned facility, but instead access the car from a corporate-managed parking space.

TinnaQuigley_UNF_SB573

Uploaded by: Quigley, Tinna

Position: UNF

**Senate Bill 573 – Sales and Use Tax – Short-Term Rental Vehicles and Peer-to-Peer Car Sharing –
Rate Alteration and Sunset Repeal
Senate Budget and Taxation Committee
February 19, 2020**

Position: Opposed

Avail is a peer-to-peer car sharing company that is backed by Allstate. It allows car-owners to share their cars with drivers in need of convenient, affordable transit options. Peer-to-peer car sharing is a way for individual car owners to earn extra income and for individuals to access a broadly accessible transit option. Car sharing gives Maryland communities a solution to mobility needs, including offering rural populations accessible transportation where public transit is not an option. By using existing personal vehicles, car sharing has also been shown to reduce traffic congestion.

In 2018, Maryland was one of the first states in the country to pass comprehensive legislation regulating the peer-to-peer car sharing industry. [Senate Bill 743 \(Chapter 852 Acts of 2018\)](#) provided for what must be included in car sharing agreements, including disclosures about rates, fees, and insurance costs; required peer-to-peer car sharing programs that sell insurance in connection with, and incidental to, the reservation of a car sharing vehicle, to hold a limited lines license from the Insurance Commissioner; provided for insurance requirements, including the rights and obligations of insurers; and provided for safety and inspection requirements for vehicles registered on a car-sharing program. The 2018 law also provided that peer-to-peer car sharing programs are not considered rental vehicles and, therefore, are not subject to the State laws governing rental vehicles. Use of a shared motor vehicle through a peer-to-peer car sharing program does not constitute a commercial use solely on the basis that the motor vehicle is available for sharing or used through a peer-to-peer car sharing program. The law also set the sales and use tax for peer-to-peer car sharing at 8%, with a termination date of June 30, 2020 for the sales and use tax.

Before setting a permanent tax rate for peer-to-peer car sharing, the 2018 law required the Motor Vehicle Administration and Office of the Comptroller to compile data that could assist the General Assembly in setting a fair tax rate for peer-to-peer car sharing.

In its report, the MVA provided a summary of taxes and fees paid by vehicle owners, shared vehicle owners, and short-term rental vehicle owners. Peer-to-peer car sharing owners are the only group that pays double taxation. Shared-vehicle owners pay: (1) the up-front sales tax and (2) sales tax on the use of their vehicle. Everyday vehicle owners do not pay taxes on the use. Short-term rental companies do not pay tax up front. To achieve true “parity” one must account for both of these categories. Under Senate Bill 573, car-sharing owners pay taxes of $10\% + 6\% = 16\%$ to the short-term rental rate of 10%.

All that we ask is that the State treat the average Maryland car-sharer with a fair tax rate. To do anything else would be to unfairly advantage large out-of-state rental corporations over everyday Marylanders.

For these reasons, we urge an **unfavorable** report.