



Senate Bill 825 – Sales and Use Tax –Peer-to-Peer Car Sharing – Sunset Repeal and Rate Alteration
Senate Budget and Taxation Committee
February 19, 2020

Position: Support

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. Accounting for both of these categories, the taxes under Senate Bill 825, would be for car-sharing owners, $6\% + 6\% = 12\%$ to the short-term rental rate of 11.5%.

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 a **favorable** report.