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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

**Testimony of Senator Hayes in Support of Senate Bill 688: Sales and Use and Vehicle
Excise Taxes – Peer-to-Peer Car Sharing**

February 17th, 2021

Dear Chairperson Guzzone and Members of the Budget and Taxation Committee,

Time and time again, Historically Black Colleges and Universities (“HBCUs”) in this state have been told that despite the importance of their mission, adequate funding is simply unattainable. Despite this, Maryland annually loses out on tens of millions of dollars in subsidies in the form of tax exemptions provided to large corporations - allowing them to escape their tax obligations at the expense of Maryland educational and social priorities.

SB688 represents an opportunity to correct legislation from nearly three decades ago in order to help provide supplemental funding for SB001.

The titling tax exemption for rental car companies was granted in 1993 with industry assurances that the industry would recapture lost revenue by collecting it through a larger rental car sales tax for consumers to be collected at the counter. **Large Car Rental Corporations would be exempt from paying the titling tax on purchasing new vehicles in exchange for an increase in the sales and use tax on rental vehicles from 8% to 10%, and then to 11.5%.** Over time, the value of the tax exemption on the *titling tax* has vastly outpaced the revenue generated by the increase in the *sales and use tax*. In 2020, nearly \$85 million dollars was forgone in taxes from the general fund due to this exemption, while the state only collected \$34 million in revenue from the sales and use tax- amounting to an **unintended annual \$50- \$65 million loss.**

SB 688 seeks to strike this tax exemption to recoup this \$50-\$65 million annually. It also creates a provision for this newly collected excise tax to be granted to the HBCU fund. In addition, **SB 688** will lower the sales and use tax on rental vehicles to the original 8% to match the rate established for peer-to-peer car sharing platforms - essentially leveling the playing field between the industries and removing the industries tax obligations from consumers.

The original legislation that codified the titling tax exemption was intended to be revenue neutral, according to legislative history. In the 27 years since this legislation passed, we have failed to audit and reassess the true impact of continuing to provide this exemption. In light of the underfunding of institutions so essential to the education of Maryland's Black community, removing the unanticipated windfall received by one industry simply makes sense and is an overdue true up for our State.

Allowing corporations who reap billions of dollars in profits to escape their tax obligations while HBCUs remain underfunded is paradoxical to the purpose and duty of this legislature. 20% of all Black graduates matriculate through HBCUs despite the fact that HCBUs comprise just 3% of this country's colleges and universities. As this Assembly seeks to evaluate legislation with heightened scrutiny to ensure equality and inclusion, SB 688 is an opportunity to turn public pronouncement to action in the best interests of Maryland's students.

I respectfully request a favorable report on **SB 688**.

Respectfully,



Senator Antonio L. Hayes
40th Legislative District - MD