



EHI OPPOSITION of SB688

Sales and Use Tax and Vehicle Excise
Taxes – Peer-to-Peer Car Sharing and
Short-Term Vehicle Rentals – Alterations
and Distribution

Budget and Taxation Committee

February 17, 2021

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:

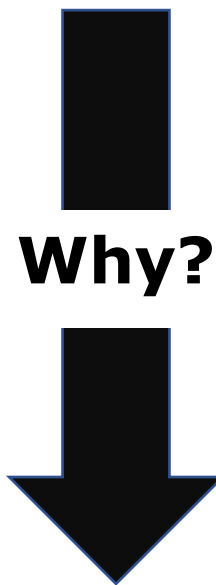
8%

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

**This provision sunsets June 30, 2021*

PROPOSED SOLUTION

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



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.

1

Purpose

2

Precedent

3

Fairness

4

Revenue

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

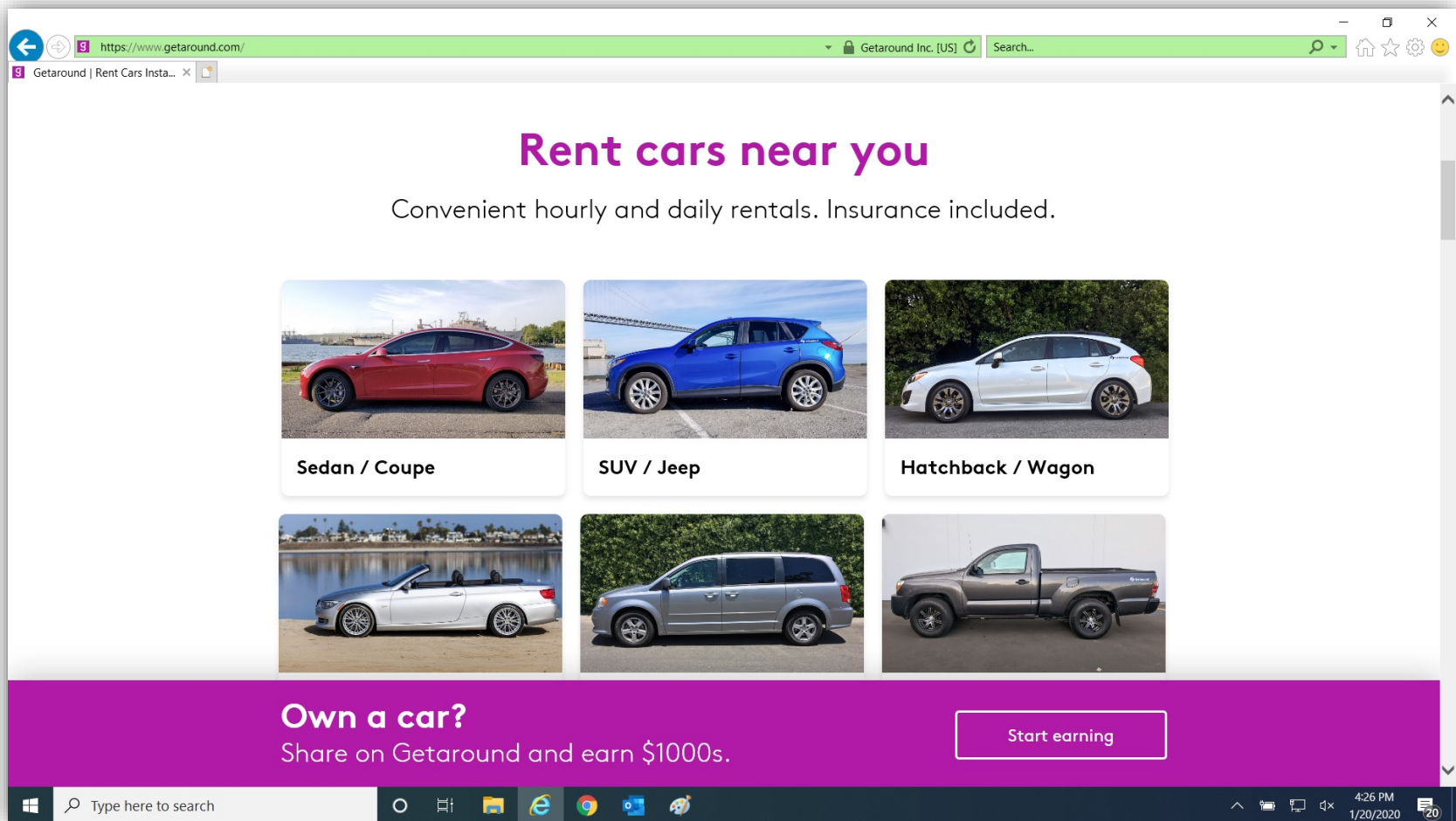
- **When competing for the same consumer looking to rent a vehicle in Maryland, P2P companies should not be afforded the clear economic advantage of a lower Sales and Use Rate.**
 - The consumer will always search for the best deal.
- **P2P companies are just a new business model for delivering rental 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

The screenshot displays the TURO website's homepage. The background features a scenic view of a winding road through a desert landscape with a white SUV driving towards the viewer. The TURO logo is positioned in the top left corner of the website header. On the right side of the header, there are links for 'List your car', 'Learn more', 'Sign up', and 'Log in', along with a user profile icon. The main headline reads 'Way better than a rental car' in a large, white serif font, followed by the subtext 'Book unforgettable cars from trusted hosts around the world' in a smaller, white sans-serif font. Below this, there is a search bar with three sections: 'Where' (with a placeholder 'City, airport, address, or hotel'), 'From' (with a date and time selector set to '01/22/2020' and '10:00 AM'), and 'Until' (with a date and time selector set to '01/25/2020' and '10:00 AM'). A green magnifying glass icon is on the right side of the search bar. At the bottom of the website, there is a white box with the text 'INSURANCE PROVIDER' and the Liberty Mutual Insurance logo. The browser's address bar shows the URL 'https://turo.com/?utm_source=bing&utm_medium=cpc&utm_campaign=bs:brand:root:usa:d+379435587&utm_term=root:exact+kwd-76691087320952:loc-190+'. The Windows taskbar at the bottom includes a search bar, task view, file explorer, and several open application windows. The system clock shows '4:21 PM' on '1/20/2020'.

P2P RENTAL COMPANIES



The screenshot shows a web browser window with the URL <https://www.getaround.com/>. The page features a header with navigation icons and a search bar. The main content area is titled "Rent cars near you" in purple, with a subtitle "Convenient hourly and daily rentals. Insurance included." Below this, there are six car categories, each with a representative image and a label: "Sedan / Coupe" (red car), "SUV / Jeep" (blue SUV), "Hatchback / Wagon" (white hatchback), "Convertible" (white convertible), "Minivan" (silver minivan), and "Pickup" (dark pickup truck). At the bottom, a purple banner promotes "Own a car?" with the text "Share on Getaround and earn \$1000s." and a "Start earning" button. The Windows taskbar at the bottom shows the time as 4:26 PM on 1/20/2020.

Rent cars near you

Convenient hourly and daily rentals. Insurance included.

Sedan / Coupe

SUV / Jeep

Hatchback / Wagon

Convertible

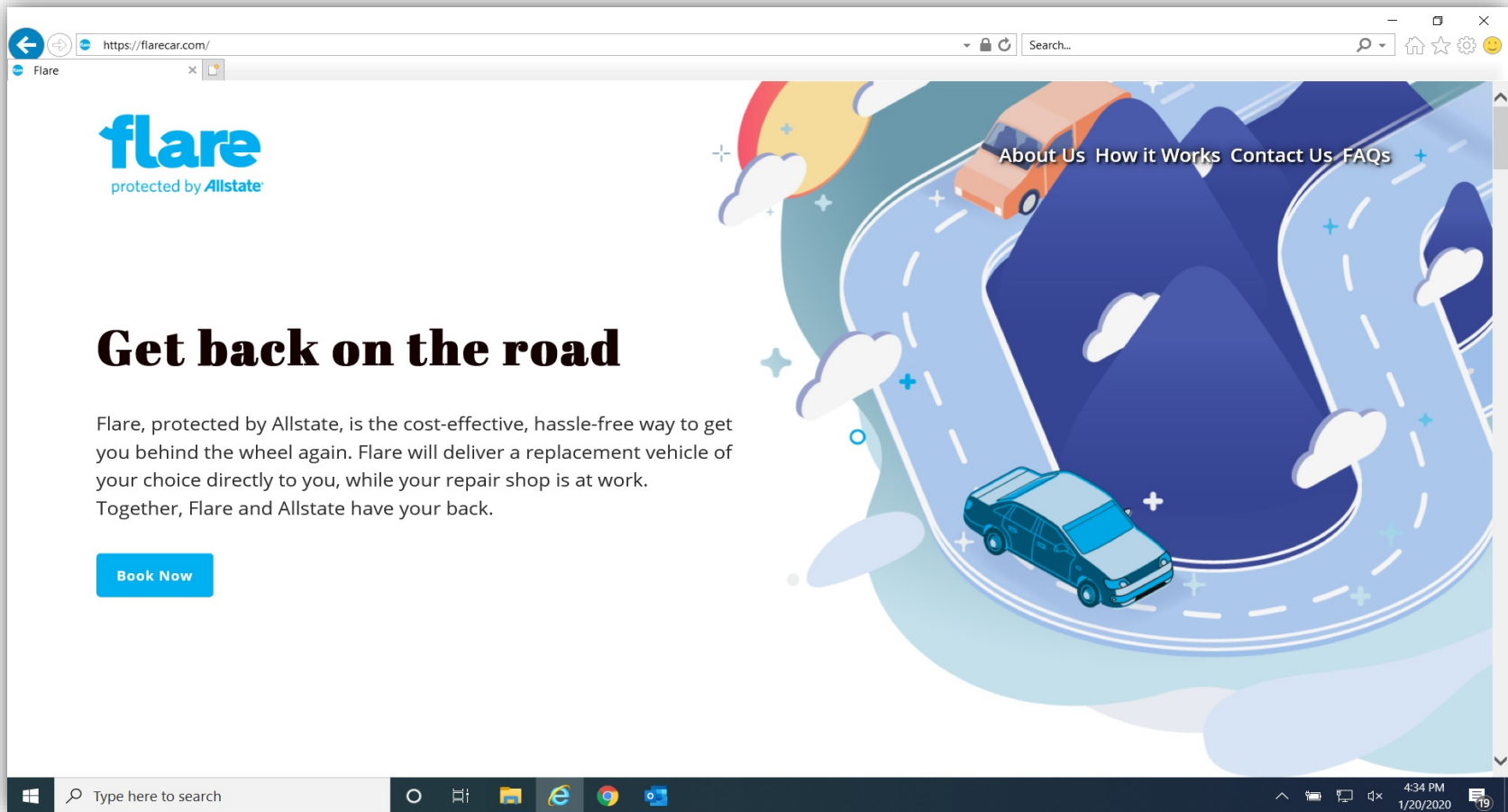
Minivan

Pickup

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

[Start earning](#)

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, which includes the word "flare" in blue and "protected by Allstate" in smaller text. The main headline reads "Get back on the road". Below this, a paragraph states: "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." A blue "Book Now" button is positioned below the text. On the right side of the page, there is a navigation menu with links: "About Us", "How it Works", "Contact Us", and "FAQs". The background of the page is a stylized illustration of a winding road with a blue car and an orange car, set against a backdrop of mountains, clouds, and a rainbow. The browser's address bar and search bar are visible at the top, and the Windows taskbar is at the bottom.

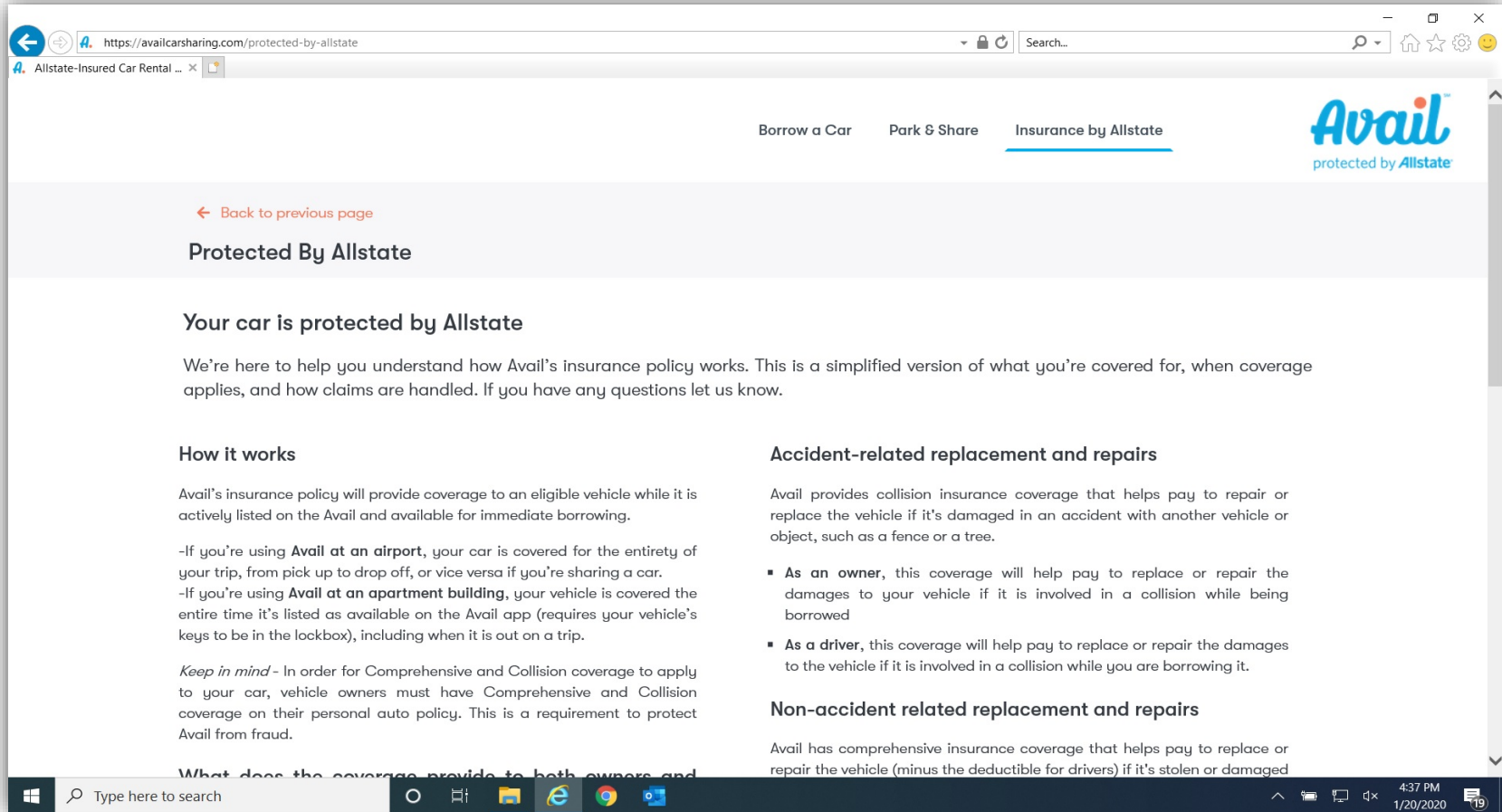
[About Us](#) [How it Works](#) [Contact Us](#) [FAQs](#)

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)



The screenshot shows a web browser window with the URL <https://availcarsharing.com/protected-by-allstate>. The page is titled "Protected By Allstate" and features the Avail logo with the tagline "protected by Allstate". The navigation bar includes links for "Borrow a Car", "Park & Share", and "Insurance by Allstate". The main content area is divided into two columns. The left column, titled "How it works", explains that Avail's insurance policy provides coverage to an eligible vehicle while it is actively listed on the Avail app and available for immediate borrowing. It also mentions that users must have Comprehensive and Collision coverage on their personal auto policy. The right column, titled "Accident-related replacement and repairs", details the coverage for accidents involving another vehicle or object, such as a fence or a tree. It lists two scenarios: "As an owner" and "As a driver". Below this, a section titled "Non-accident related replacement and repairs" states that 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. The Windows taskbar at the bottom 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

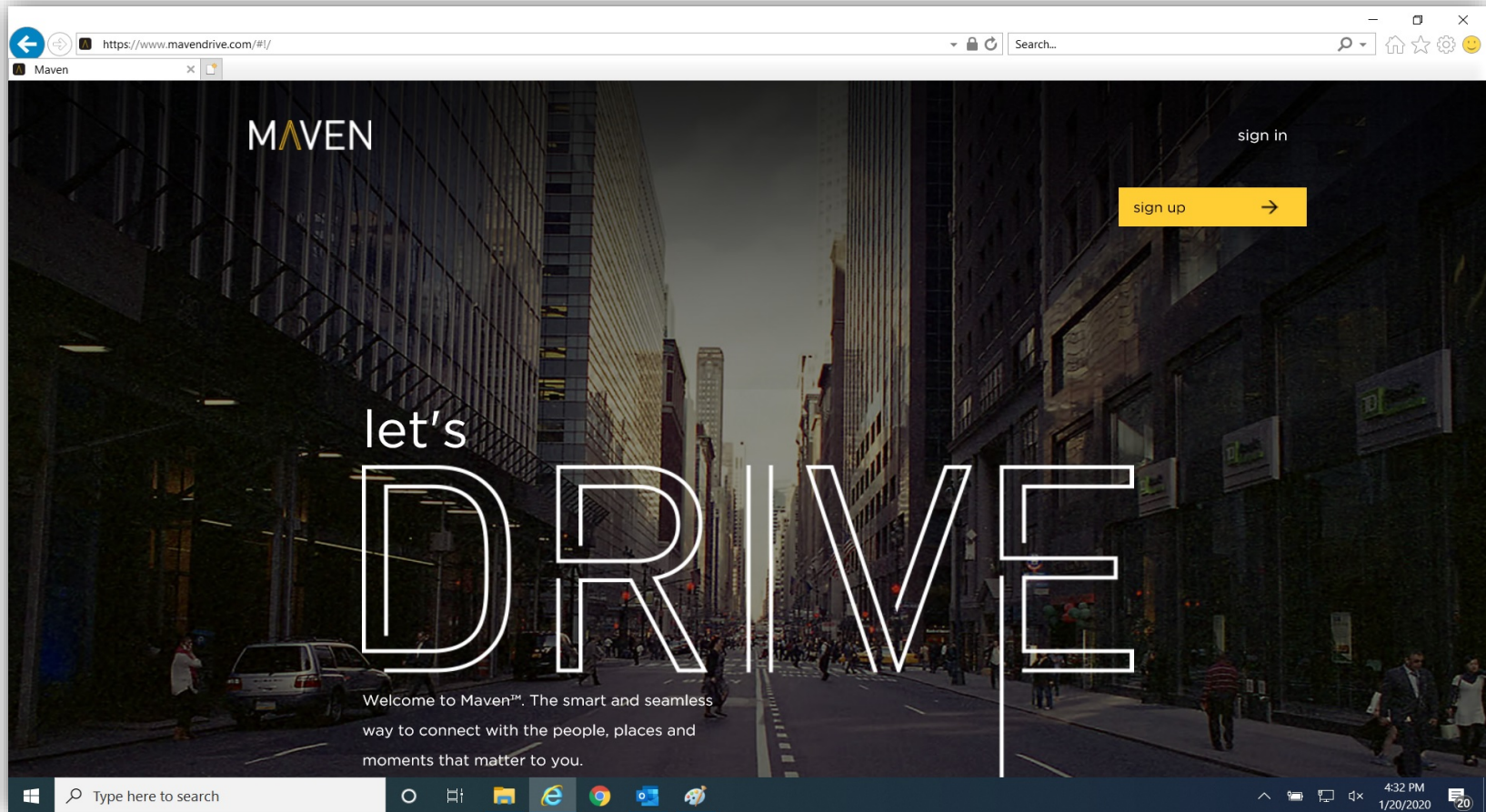
Avail provides collision insurance coverage that helps pay to repair or replace the vehicle if it's damaged in an accident with another vehicle or object, such as a fence or a tree.

- **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

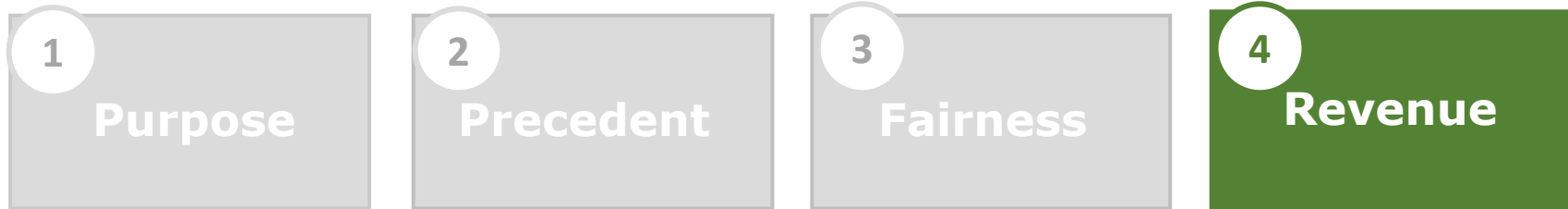
Avail has comprehensive insurance coverage that helps pay to replace or repair the vehicle (minus the deductible for drivers) if it's stolen or damaged

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 should not pick winners and losers in the same industry .

- **P2P rental companies continue to grow.**
- **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.**

Our Suggested Approach for Parity

1. Equalize the sales tax.

- Whether at 8% or 11.5%, the sales tax on the consumer transactions should be the same, regardless of where the consumer obtains the use of a vehicle for a short duration.
 - **NOTE: The Proponents of this legislation agree that sales tax parity should be equal!**

2. Provide Vendor Sales Tax Credit.

- Should Maryland want to help individual owners of up to 4 vehicles, the state should provide them with a vendor sales tax credit for every transaction.

3. Apply The excise tax exemption for all “fleet” owners.

- Owners of 5 vehicles or more that purchase the vehicles exclusively for commercial use on a peer-to-peer platform may receive the excise tax exemption.