

Opposed to HB-869

Ways and Means Committee

Sponsor By: Delegate Smith

By: Mike DeLorenzo President of NextCar Rental and Leasing

Email: [Mike@nextcar.com](mailto:Mike@nextcar.com) mobile phone 240-417-2001 .

**Opposed to HB-869**

I have attached for your review a summary of how the current car rental tax system increases the tax revenues brought into the state treasury. Back in 1994, I worked closely with then Senator Amoss, Vice Chair of Senate Budget and Tax, in proposing and then passing the current tax system. As you can see on the attached spreadsheet the average Maryland Resident Pays \$236 per year in excise tax while the average rental car pays generates much more – about \$1423 per car per year in taxes to the state.

The current tax system is the only system that will generate tax revenues when a car with out of state license plates from Virginia or DC is rented to a customer in Maryland. If the Senate passes SB-688 in its current form and goes back to the old system of taxing the purchase of rental cars bought only by companies domiciled in Maryland it will shift the tax burden to a much smaller population of market participants and in fact generate less tax revenues for the state. The additional tax burden would also greatly diminish the ability of companies domiciled in Maryland to compete with multi-state companies that are able to use the Federal Proportional Registration rules of Interstate Commerce.

Back in 1994 the industry was being held to the revenue neutral standard of generating \$20 million in tax revenue. The industry now generates in excess of \$60 million in tax revenues which exceeds the run rate of inflation by \$25 million in tax revenue. This proves that the current system is the best way to tax the mobility industry which includes car rental.

The study released by the Dept of Legislative Services in December 2020 raises concerns from the Comptroller's office of its ability to collect income taxes from the Car share rental operators commonly referred to as "Hosts". I propose a solution that would be fair and equitable to everyone.

- 1) All car sharing or rental transactions would be taxed at the point of sale at the same rate, currently 11.5%.
- 2) Car Share "Host" operators would be able to use 1/3rd of excise taxes paid per year to offset any income tax liability generated. This would encourage the "hosts" to report the income. The excise taxes would be available to be claimed over the first three years after payment.

These simple adjustments to the taxation process would create a market place that is fair and square and manageable for all parties involved.

**Please feel free to ask me any questions you have. Please vote unfavorable on this bill.**

Sincerely

Mike DeLorenzo

President

NextCar Rental and Leasing

Average Resident - Rental Car - Tax Comparison

	A	B	C	D	E	F	G	H	I
1	Data Source - Maryland Dept of Motor Vehicles Web Site								
2	<b>Year</b>	<b>Month</b>	<b>New Vehicles Sold (Count)</b>	<b>Taxable Sales New Vehicles Sold</b>	<b>Average Tax per New Vehicle (D/C)*6%</b>	<b>Used Vehicles Sold (Count)</b>	<b>Taxable Sales Used Vehicles Sold</b>	<b>Average Tax per Used Vehicle (G/F)*6%</b>	<b>Avg Tax Paid Per Vehicle (New + Used) ((D+G)/(C+F)*6%</b>
3	2020	JAN	27,704	\$1,045,539,743	\$2,264	57,577	\$727,641,906	\$758	\$1,248
4	2020	FEB	22,344	\$802,833,375	\$2,156	55,032	\$660,514,435	\$720	\$1,135
5	2020	MAR	23,873	\$853,033,479	\$2,144	58,963	\$734,371,921	\$747	\$1,150
6	2020	APR	13,700	\$495,796,657	\$2,171	29,420	\$372,792,902	\$760	\$1,209
7	2020	MAY	14,835	\$518,292,774	\$2,096	37,572	\$403,317,249	\$644	\$1,055
8	2020	JUN	23,704	\$821,297,823	\$2,079	63,395	\$699,671,992	\$662	\$1,048
9	2020	JUL	26,190	\$995,093,228	\$2,280	61,905	\$746,109,876	\$723	\$1,186
10	2020	AUG	27,372	\$1,033,767,509	\$2,266	59,328	\$696,083,170	\$704	\$1,197
11	2020	SEP	27,733	\$1,063,945,651	\$2,302	54,035	\$649,440,784	\$721	\$1,257
12	2020	OCT	24,777	\$937,336,920	\$2,270	49,328	\$596,988,709	\$726	\$1,242
13	2020	NOV	20,824	\$790,591,350	\$2,278	38,696	\$472,376,286	\$732	\$1,273
14	2020	DEC	13,315	\$520,466,711	\$2,345	26,736	\$265,465,411	\$596	\$1,177
15	<b>Total</b>	<b>2020</b>	<b>266,371</b>	<b>\$9,877,995,220</b>	<b>\$2,225</b>	<b>591,987</b>	<b>\$7,024,774,641</b>	<b>\$712</b>	<b>\$1,182</b>
16	<b>Maryland Resident Effective Excise Tax Paid Per Year when Vehicle is Kept for 5 Years</b>				<b>\$445</b>			<b>\$142</b>	<b>\$236</b>
17					<u>Per Car Per Year over 5 Years</u>			<u>Per Car Per Year over 5 Years</u>	<u>Per Car Per Year over 5 Years</u>
19	<b>Average Maryland Car Rental Tax Paid ----&gt; Per Vehicle Per Year</b>				<b>\$1,031</b>	12	<b>\$12,372</b>	<b>11.50%</b>	<b>\$1,423</b>
20	Data Source - Auto Rental News Fact Book 2020 page 14				<u>Industry Average Revenue Per Car Per Month</u>	<u>Months</u>	<u>Industry Average Revenue Per Car Per Year</u>	<u>Car Rental Tax Rate</u>	<u>Industry Average Tax Paid Per Car Per Year</u>