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HOUSE PARLIAMENTARIAN

Appropriations Committee

*Subcommittees*

Capital Budget

Chair, Education and Economic  
Development

Oversight Committee on Personnel

Joint Committee on Children,  
Youth, and Families



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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

**HB0898 – Transportation- Vehicle Excise Tax- Rental Vehicles**

Hearing: February 18, 2025, 1:00, Ways & Means Committee

Chair Vanessa Atterbeary, Vice Jheanelle Wilkins, and members of the committee,

Good afternoon colleagues of the distinguished Ways and Means Committee. Today, I present HB 898 and request a favorable report. As we know, our state is facing a significant fiscal challenge. In fiscally stronger times, I introduced a similar version of this bill. Then and now, the state has maintained an agreement that has ceased to be in the best interest of Marylanders and HB 898 adjusts an outdated agreement with a reasonable solution.

This bill repeals the vehicle excise tax exemption for short-term rental vehicles and imposes an excise tax rate of 3.5 percent of the fair market value of a short-term rental vehicle. Currently, Marylanders pay a 6 percent excise tax on their personal vehicle purchases. Car rental companies do not pay an excise tax on their rental fleet purchases.

The car rental sector agreed to charge consumers more at the counter for their rentals in exchange for an exemption from excise tax on their fleet purchases. This is why you pay 11.5 percent sales tax when you rent a vehicle in Maryland. This arrangement was offered by the sector in the 90s as a “revenue neutral” proposal. Unfortunately, it’s never been revenue neutral. By foregoing excise taxes on rental car fleets, the State of Maryland loses north of 70M annually in contributions to the state’s Transportation Trust Fund that also provides highway user revenue to local jurisdictions across our state. This current arrangement is aggressively underfunding critical infrastructure investments. This impact is far from revenue neutral.

With your support of HB 898, we are making a modest step towards addressing a gross imbalance in a very bad deal for Marylanders. Because I’m benevolent and kind, I am not asking the car rental excise tax to be fully restored at 6 percent. While doing so would be both appropriate and just, I am exercising restraint by merely restoring a partial excise tax of 3.5 percent.

Next, you will hear a series of industry opposition testimony to this bill and I understand. If I was able to get away with not paying taxes, I'd fight hard to retain that privilege. However, as members of the General Assembly, our constituents should be able to count on us working even harder to untether them from a very bad deal. If the original agreement had ceased to be beneficial to this sector, they wouldn't have delayed coming to Annapolis to receive relief.

Today, I'm asking for relief on behalf of the State of Maryland getting out of a very bad deal. Help me restore \$46-50M annually in lost revenue for the Transportation Trust Fund. This is a mere fraction of the hundreds of millions of dollars Marylanders have foregone over the life of this very bad deal. Thank you for your time and careful consideration of HB 898 and I strongly encourage a favorable report.

Sincerely,

A handwritten signature in black ink that reads "Stephanie M. Smith". The signature is written in a cursive, flowing style.

Delegate Stephanie M. Smith.