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Testimony of Michael DeLorenzo

President, NextCar All Vehicle Rentals

Before the Maryland Senate Budget and Tax Committee

In Support of Senate Bill 374

Good afternoon, Chair Guzzone and members of the Budget and Tax Committee.

My name is Mike DeLorenzo. I am the President of NextCar, a Maryland-based company headquartered in Laurel. I am here today on behalf of the **110 Maryland residents** employed at our **17 Maryland locations** across Baltimore City and the counties of Anne Arundel, Baltimore, Frederick, Montgomery, and Prince George's.

During last year's session, the auto rental industry was surprised by a **dramatic and unprecedented \$47 million increase in taxation** adopted during budget negotiations between the House and Senate. This increase did not come through the normal bill hearing process and was agreed to in conference committee without meaningful notice or industry input. It was — and remains — unreasonable, particularly for Maryland-based businesses.

Last year, this committee was told that the auto rental industry received an unfair and lucrative exemption from the excise tax in 1993 due to a legislative oversight. What was not mentioned is that, in 1993, the industry **agreed to an entirely different taxation structure**, designed to keep Maryland-based auto rental businesses competitive with multi-state businesses while still meeting the State's revenue needs. (please ask me more about this later!)

Specifically, the industry agreed to pay an **11.5 percent gross receipts tax** in place of a **5 percent sales tax and a 5 percent excise tax**.

I would like to briefly explain why this distinction matters.

An excise tax is paid **only once**. My son purchased a \$30,000 vehicle last year. After an \$8,000 trade-in, he paid excise tax on \$22,000 — approximately **\$1,430 total taxation**. When he keeps that vehicle for ten years, that averages out to **\$143 per year**.

By comparison, prior to the excise tax being applied to rental vehicles, NextCar would purchase a Toyota Camry and pay **no excise tax**. However, that same vehicle would generate approximately **\$14,400 per year in rental revenue**, resulting in **\$1,656 paid annually to the State of Maryland in auto rental taxes**.

Over a ten-year period, any one rental vehicle generates **\$16,560 in auto rental taxes**, compared to the **\$1,430 excise tax** paid by my son — that's more than **11 times** what the average Maryland driver pays. This reflects a fundamentally different tax structure for rental vehicles than for private passenger vehicles.

According to the Comptroller's Bureau of Revenue Estimates, in 2025 the auto rental industry was already contributing an estimated **\$105 million annually** in auto rental taxes to the State of Maryland. I respectfully ask for your support of **House Bill 585**, which restores balance and fairness to Maryland's tax system.

Thank you for your time and consideration.