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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

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SB 374
Transportation-Rental Cars- Excise Tax Exemption

Good afternoon, Chair Guzzone, Vice Chair Rosapepe, and Members of the Budget and Taxation Committee;

Thank you for the opportunity to present Senate Bill 374, Transportation-Rental Cars-Excise Tax Exemption. SB 374 exempts rental car companies from the state's 3.5% excise tax on vehicles purchased and titled in the state of Maryland.

This change removes the current tax that rental car companies face when bringing their business to our state. The current tax on rentals is felt by the customers who rent these cars and bear the difficulties of the increased prices. Maryland already has one of the highest sales taxes on short term rentals, registration, and title fees; all of which the car rental industry previously agreed to. These increases have already generated \$450 million last year, while the revenue of the increased excise tax brought only less than 7% of that amount, several points below its projections. Rental companies are utilizing trade in credits for their more expensive vehicles to circumvent this current excise tax and taking business from our state.

Taxes and fees currently impose a 47% markup for a rental at BWI airport; this is the equivalent of a rental being advertised as \$40/day ending up costing \$59/day. The individuals renting these cars are primarily residents of Maryland who need to rent cars while their personal cars are being repaired, and who already pay taxes to the state and are now being forced to pay more. This bill affects our constituents and tourism.

The car rental industry in our state employs almost 10,000 people and includes both small businesses and large corporations who infuse our economy. A continuation of this tax without exemption for the rental car companies would burden both the residents and visitors of our state while harming business with very little gain to justify it. The legislature has already faced this question once before in the 90s to repeal the tax, and now we must provide this exemption on excise tax for rental cars.

I respectfully request a "Favorable Report" on SB 374.

