

ACRA Maryland SB 374 Testimony-FINAL.pdf

Uploaded by: Don Lefevé

Position: FAV



February 6, 2026

The Honorable Guy Guzzone, Chair
Senate Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401
Annapolis, MD 21401

BILL: SB 374 – Rental Vehicle Excise Tax – Repeal; POSITION: SUPPORT

Chair Guzzone, Vice Chair Rosapepe, and Members of the Committee,

On behalf of the members of the American Car Rental Association (ACRA)¹, we strongly support SB 374. If passed, this legislation will be a critical win for Maryland residents, business owners, and tourists alike.

Simply put, right now it costs more to rent cars in Maryland because rental companies must pay a 3.5% excise tax when acquiring a vehicle. Benjamin Franklin famously said that “nothing is certain except death and taxes.” But even Franklin would likely be surprised by Maryland’s current tax structure, which manages to tax the same car at the point of purchase, the point of rental, and the point of sale. A single item is now being triple-taxed, and Maryland residents are the ones left to pay the higher rates.

Maryland stands as the only state in the nation to impose an excise tax on the acquisition of rental vehicle inventory. The Council on State Taxation (COST) has long maintained that taxing business inputs—specifically inventory—is poor economic policy. It increases costs for consumers, discourages capital investment, and erodes state competitiveness. This "inventory tax" is not applied to other goods for a very good reason: retailers don’t pay tax on the inventory they buy to sell to consumers. Instead, the item is taxed when the consumer buys or rents it in the form of Sales and Use tax at checkout.

It is also important to consider what consumers are already paying. Currently, renters pay an 11.5% Sales and Use tax. This is a 92% premium over Maryland’s typical 6% sales tax for everyday goods. This high rate exists because, in the 1990s, when Maryland instituted the Rental Vehicle tax exemption, the state abandoned the initial tax on vehicles in favor of this substantially higher transaction rate. By adding a 3.5% inventory excise tax on top of that, Maryland is making cars more expensive to buy or finance. This hurts Maryland rental

¹ ACRA is the national trade association representing the U.S. car rental industry, including major brands like Alamo, Avis, Budget, Dollar, Enterprise, Hertz, National, Sixt, and Thrifty as well as independent, regional, and franchise operators. Its members collectively manage more than 2.2 million vehicles nationwide, with fleets ranging from 10 to 1 million cars, and employ over 160,000 workers across nearly every county, including many in Maryland.

companies big and small, leading to less investment and ultimately higher prices for our residents.

There is a common misconception that the majority of people renting cars in Maryland are tourists. In fact, based on a review of Maryland government data, nearly 79% of all rental car sales tax is collected at local neighborhood offices—not at BWI. Even if we assumed every single transaction at BWI was made by an out-of-state visitor, the reality is that the vast majority of this tax is paid by Marylanders.

Supporting this legislation is supporting affordability for Maryland residents. Repealing the 3.5% excise tax makes cars more affordable, lowers the cost of car rentals, and encourages investment in new vehicles.

We fully support SB 374 and, for the reasons stated, urge its swift passage.

TESTIMONY-FINAL-SENATE-Excise Tax Repeal Written T

Uploaded by: John DeRose

Position: FAV

701 Wedeman Avenue
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Enterprisemobility.com

RE: SUPPORT SB374 – Budget & Taxation– Vehicle Excise Tax Repeal – Rental Vehicles

Chair, Vice Chair, and Members of the Committee:

Thank you for the opportunity to submit written testimony on behalf of Enterprise Mobility, a company that has proudly served Maryland for more than 40 years. Enterprise Mobility is a family-owned and operated business with 90,000 employees companywide, operating in 100 countries. Enterprise, Alamo, and National car rental brands hire more college students each year than any other employer in the US. In Maryland alone, Enterprise has 122 retail locations and two corporate offices in Linthicum and Rockville with nearly 2,000 employees statewide. On behalf of Enterprise Mobility, we ask this committee to **support SB374**.

We urge the General Assembly to repeal the newly enacted 3.5% excise tax on rental vehicle purchases, a tax added in the final days of the 2025 legislative session in the budget conference committee. This excise tax, which is unique among all states, imposes severe financial burdens, worsens competitiveness, increases consumer costs, and threatens Maryland jobs and economic activity.

I. Enterprise Mobility's Longstanding Commitment to Maryland

Enterprise Mobility entered Maryland in 1984, and over four decades has built one of the state's largest and most accessible mobility networks. Today, we operate:

- 122 Maryland locations, including car rental branches, truck rental facilities, car sales dealerships, and administrative offices -sales dealerships, and administrative offices
- A statewide fleet of more than 24,000 vehicles
- Employment for nearly 2,000 Maryland residents

Our economic impact is substantial and ongoing:

- In excess of \$40 million annually remitted to the state in sales tax
- \$29 million in employee paid taxes and \$7.7 million in employer paid taxes each year
- \$6.5 million in annual vehicle registration costs paid to the state
- More than \$1 million in property taxes (FY24)
- \$1.3 million in annual charitable giving within Maryland, part of more than \$113 million in global giving last fiscal year

We are deeply proud of our role as a Maryland employer, community partner, and mobility provider. But this success is increasingly threatened by tax and cost structures that are now among the most burdensome in the United States.

II. Maryland Now Imposes the Only Rental-Car “Inventory Tax” in the Nation

The newly enacted 3.5% excise tax on rental vehicle purchases places Maryland alone among all states in imposing an inventory-based tax on rental fleet acquisitions. This is a major policy departure; one the General Assembly has already evaluated once before. Indeed, in the mid-1990s, the legislature repealed this very tax which was implemented in the late 1980s after finding the burden “too great,” replacing it with an elevated 11.5% rental sales tax, which too is among the highest in the country. -based tax on rental fleet acquisitions. This is a major policy

Today, even before the new excise tax, Maryland already imposes:

- One of the highest state sales tax rates on short-term rentals (11.5%).-term rentals (11.5%).
- The highest certificate of title fee, recently increased from \$50 to \$100 with industry support
- The highest vehicle registration fees in the country - doubling last year with industry support

This new 3.5% tax was added even though during the 2025 session, the industry had already agreed to raise an additional \$7 million annually via increases in title and registration fees - explicitly to avoid an excise tax proposal.

III. The Tax Will Not Generate Promised Revenues

Although state officials projected the tax would raise \$46 million annually, actual collections are proving far lower:

- Current MDOT estimates suggest \$30 million annually – this may be a volatile revenue source.

This reduction is driven by several factors already observed:

- Trade-in credits, which significantly reduce taxable transaction values. -in credits, which significantly reduce taxable transaction values.
- Proportional registration, allowing national companies to title higher-value vehicles in neighboring states while registering lower-cost assets in Maryland.
- Fewer fleet purchases in Maryland and potential consolidation or closure of local rental locations

This is precisely why the tax was repealed three decades ago: it distorts purchasing decisions, encourages fleet deployment elsewhere, and harms companies that choose to invest locally.

IV. Maryland Customers Bear Much of the Burden - Especially Local Residents

While BWI represents only one-fourth of statewide rental activity, the majority of nonairport rentals serve Marylanders directly:

- Local residents needing replacement vehicles while their cars are in service or body shop repair-shop repair
- Families renting vehicles for vacation travel
- Individuals renting for moving or temporary transportation needs.

If the excise tax were to generate its originally projected \$46 million, three-fourths of that burden would be borne by Maryland drivers themselves, directly or indirectly.

Moreover, because rental cars are widely used in insurance claims, a significant share of the excise tax flows through to auto insurers, contributing to higher insurance premiums for Marylanders.

Combined with the state's already high fees, this tax compounds affordability challenges for consumers who rely on rental vehicles in times of need.

V. The Excise Tax Creates a Severe Competitive Disadvantage at BWI

BWI Thurgood Marshall Airport is uniquely and heavily affected by the new tax. Even prior to the excise tax, BWI imposed a cumulative fee structure among the highest in the nation:

- 11.5% state rental car sales tax
- 11.11% airport concession fee
- \$5.75/day Customer Facility Charge (CFC) - recently increased
- \$2.90/day Transportation Facility Charge (TFC)
- Proposed significant rent increases under renegotiated MAA concession agreements.

These costs turn a \$40/day base rental into a \$59/day final customer charge—and the proposed excise tax adds even more.

As rental companies pass the excise tax through to customers, it becomes a tax on a tax:

- \$23 million in projected excise taxes at BWI would trigger
- An additional \$5.5 million in concession fees and sales taxes

As a result, total taxes and fees exceed 50% of a base rental rate, making BWI one of the least competitive rental markets in the region.

This is particularly concerning because:

- BWI rental activity has not fully recovered to pre-pandemic levels even though airport passenger volume has largely returned, and
- Competition from TNCs, peer-to-peer rental platforms, and other mobility services continues to intensify

The excise tax exacerbates these structural disadvantages at the very moment when BWI needs to remain competitive as a regional transportation hub.

VI. The Excise Tax Threatens Jobs, Investment, and Location Stability

Inventory taxes discourage precisely the activities Maryland should want to attract:

- Local investment in fleets
- Purchasing high value vehicles within the state-value vehicles within the state
- Maintaining distributed branches in smaller communities
- Affordable transportation options for residents

As noted in your own historical record, such taxes stifle business growth, constrain reinvestment, and send a negative message to companies evaluating Maryland's business climate.

Several outcomes are already foreseeable:

1. Fewer vehicles purchased and titled in Maryland
2. Fleet mix changes, favoring lower cost models
3. Potential closure of lower volume rental locations
4. Reduced employment opportunities, especially in smaller counties
5. Higher prices for consumers, particularly those with no viable mobility alternatives

Maryland's own experience in the 1980s and 1990s confirmed these harmful effects, leading to the tax's previous repeal.

VII. Repeal Is the Correct and Necessary Policy Response

Repealing the rental vehicle purchase excise tax is the most effective and immediate way to:

- Restore competitiveness at BWI
- Protect Maryland jobs
- Prevent further cost increases for Maryland residents
- Stabilize local rental locations that serve Maryland communities

The General Assembly has faced this question before and correctly repealed the tax. Today, the circumstances and impacts are even clearer. The tax:

- Will not generate its projected revenue
- Was adopted without stakeholder engagement
- Burdened an industry that had already agreed to increased fees

- Disadvantages Maryland based companies
- Raises costs for Maryland residents, travelers, and insurers.

Maryland already successfully raised funds for the Transportation Trust Fund through the industry-supported increases in title, registration, and other fees. The excise tax is not needed—and is counterproductive.

VIII. Conclusion

Enterprise Mobility remains committed to being a strong partner in Maryland. We employ thousands of Marylanders, serve millions of customers, contribute significant tax revenue to the state, operate one of the state's largest vehicle fleets, and support communities throughout Maryland. Our longstanding partnership with Maryland is a point of pride - but it is threatened by a tax structure that is now uniquely burdensome in the United States.

We respectfully urge the General Assembly to **repeal the 3.5% rental vehicle purchase excise tax** and work with industry stakeholders on policy solutions that support both the transportation mobility sector and sustainable transportation funding.

Thank you for your consideration of our testimony.

SB374 - Support - Maryland Motor Truck Association

Uploaded by: Louis Campion

Position: FAV



HEARING DATE: February 11, 2026

BILL NO/TITLE: SB374: Transportation - Rental Cars - Excise Tax Exemption

COMMITTEE: Senate Judicial Proceedings

POSITION: **Support**

Maryland Motor Truck Association (MMTA) urges the passage of SB374, which would repeal the vehicle excise tax of 3.5% on rental vehicles.

While MMTA understands the need to continue generating transportation revenues, the implementation of an excise tax on rental vehicles ignored that a sales tax up to 11.5% is already charged to the consumer on a rental vehicle contract. The imposition of the excise tax constrains inventory and is in direct conflict with long-standing tax policy whereby businesses purchase goods for resale, with the final tax paid by the end user.

In addition, the normal motor vehicle excise tax is collected at the time a rental company discharges the vehicle and sells it to another party. According to the Truck Renting and Leasing Association, the average truck rental company keeps its vehicles for 5 years, meaning these trucks are turned over much more frequently, and in much higher volumes since they are fleet owned, than a traditional household-owned vehicle.

The challenge of imposing an excise tax on a rental vehicle was recognized by the General Assembly in 1998, whereby the legislative body revised a complex double taxation and credit process for these vehicles by exempting short-term rental vehicles from the motor vehicle excise tax. This addressed concerns that imposing the excise tax put local rental vehicle companies and their customers at a competitive disadvantage with their multistate counterparts, who could choose to title and register their vehicles elsewhere.

For the reasons noted above, MMTA respectfully asks for a favorable report.

About Maryland Motor Truck Association: Maryland Motor Truck Association is a non-profit trade association that has represented the trucking industry since 1935. In service to its 1,000 members, MMTA is committed to support, advocate and educate for a safe, efficient and profitable trucking industry in Maryland.

For further information, contact: Louis Campion, (c) 443-623-5663

SB 374 Rob Smith Testimony Senate B&T Committee.pdf

Uploaded by: Michael DeLorenzo

Position: FAV

February 11, 2026

Testimony of Rob Smith

CEO, Fitzgerald Auto Malls

Before the Maryland Senate Budget and Tax Committee

In Support of Senate Bill SB374

Good afternoon, Chair Guzzone, and members of the committee. Thank you for the opportunity to speak today.

If you've ever rented a car at BWI Airport, you may have noticed something curious: most of those vehicles have out-of-state license plates. That's not an accident—it's the direct result of interstate commerce and proportional registration regulations.

Under these rules, multi-state rental car companies register vehicles based on where their revenue is earned, not where the cars are actually used. So, if a company earns just 2% of its national revenue in Maryland, only 2% of its fleet must be registered here—even if many more vehicles operate daily on Maryland roads.

Because these regulations do not require a minimum vehicle cost or service life, large national operators reduce taxes by registering their lowest-cost vehicles in excise-tax states and keeping them in service longer. Those same vehicles can still be used anywhere in North America and remain fully compliant.

Maryland-based rental car companies operate under a very different system. Without access to proportional registration, every vehicle must be titled and registered in Maryland, and the excise tax must be paid in cash, up front. Financing companies do not cover these costs. This significantly increases acquisition expenses and places local businesses at a structural disadvantage because 100% of the Maryland owned vehicle must pay excise tax and compete with a national fleet of vehicles that do not incur that cost.

The impact is measurable. A Toyota Camry registered in Virginia costs roughly **\$1,050 less** than the same vehicle registered in Maryland with excise tax. To recover that difference, a Maryland operator would need to charge approximately **\$5 more per rental day**—and still face having a 1,050 higher resale cost than a competitor in Virginia.

This disparity explains why roughly **90% of vehicles at BWI carry out-of-state tags**, and why nearly every state decades ago moved away from excise taxes on rental cars in favor of higher, transaction-based sales taxes. That model captures more state tax revenue overall, regardless of where a vehicle is plated, while also keeping in-state businesses competitive.

Today, Maryland is one of the only states to reapply an excise tax to rental cars—and the cost is local jobs. At my company alone, we employ more than **110 Maryland residents** in stable, well-paying careers.

Rental car operators should be treated similarly to automobile dealers. Dealers do not pay excise tax on inventory; customers pay it when they purchase a vehicle. Rental companies also acquire vehicles for inventory—but they “sell” that inventory many times each month, with customers paying sales tax on every transaction. Over the life of a vehicle, that sales tax generates **more than eleven times** the revenue of a single excise tax.

Today, Maryland rental car businesses already pay an **11.5% sales tax** on rental revenues—one of the highest rates in the nation. By comparison:

Virginia is at 10%,

Washington, D.C. at 10.25%,

Pennsylvania at 8% plus a \$2 per day fee,

West Virginia at 6% plus \$1 per day,

and Delaware at just 1.99%.

For these reasons, moving to a **sales-tax-only model** would restore fairness, strengthen Maryland businesses, and protect Maryland jobs.

Thank you.

SB374 Budget and Tax Committee Testimony - Mike De

Uploaded by: Michael DeLorenzo

Position: FAV

February 11, 2026

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.

SB 374 Testimony.pdf

Uploaded by: Pamela Beidle

Position: FAV

PAMELA G. BEIDLE
Legislative District 32
Anne Arundel County

Chair, Finance Committee

Executive Nominations Committee

Joint Committee on Gaming Oversight

Joint Committee on Management
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Spending Affordability Committee



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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 11, 2026

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.

SB0374 - LOI - MDOT - Rental Vehicle Excise Tax.pd

Uploaded by: Patricia Westervelt

Position: INFO



Wes Moore
Governor

Aruna Miller
Lieutenant Governor

Kathryn Thomson
Acting Secretary

February 11, 2026

The Honorable Guy Guzzone
Chair, Budget & Taxation Committee
3 West Miller Senate Office Building
Annapolis, MD 21401

RE: Letter of Information – Senate Bill 374 – Transportation – Rental Cars – Excise Tax Exemption

Dear Chair Guzzone and Committee Members:

The Maryland Department of Transportation (MDOT) takes no position on House Bill 585 and offers the following information for the Committee's consideration.

During the 2025 legislative session, the General Assembly applied the vehicle titling tax to the purchase of rental vehicles. This tax increase was part of a funding package that allowed MDOT to maintain funding for critical State-wide capital projects including, but not limited to the Light Rail Modernization Program, I-81, US-15, and the reconstruction of Dundalk Marine Terminal Berths 11-13 Phase I & II.

This legislation would reduce revenues to the Transportation Trust Fund by eliminating the vehicle titling tax for the purchase of a rental vehicle. Currently, the vehicle titling tax of 3.5% on the purchase of rental vehicles is projected to generate approximately \$30 million annually. MDOT's FY 2026-2031 financial plan fully programs every available dollar to its debt service, operating budget, and capital budget. Due to the revenue reduction resulting from this legislation, MDOT would have to either decrease operating or capital budgets, or both, to account for this revenue loss.

The Maryland Department of Transportation respectfully requests the committee consider this information during its deliberation of Senate Bill 374.

Respectfully submitted,

Matthew Mickler
Director of Government Affairs
Maryland Department of Transportation
410-865-1090

ACECMD - 2026 Testimony - HB585:SB374 — Transport

Uploaded by: Rory Murray

Position: INFO



Hon. Jheanelle Wilkins
Ways and Means Committee
130 Taylor House Office Building
Annapolis, Maryland 21401

RE: HB585/SB374 — Transportation - Rental Cars - Excise Tax Exemption
Position: Informational

The Maryland Chapter of the American Council of Engineering Companies (ACEC/MD) represents Maryland's private-sector engineering firms that design and deliver the transportation, water, environmental, and public works infrastructure that local governments and the State rely upon every day.

On behalf of ACEC/MD, thank you for the opportunity to provide information on HB585/SB374, which would exempt rental vehicles from the vehicle excise tax and make conforming changes to the allocation of titling tax revenues to the Gasoline and Motor Vehicle Revenue Account and the Transportation Trust Fund (TTF).

We are agnostic as to the specific policy choice the General Assembly makes regarding the source of revenues deposited into the Transportation Trust Fund, including whether or not to provide an excise tax exemption for rental vehicles. However, we respectfully note that any reduction in titling or related transportation revenues will require backfilling from another revenue source if the State is to maintain current commitments to system preservation, safety improvements, and ongoing capital projects on Maryland's roads and bridges.

The projects supported by the Transportation Trust Fund include routine maintenance, safety enhancements, and state and local roadway improvements that directly impact driver safety, congestion, and economic competitiveness. If revenues associated with the rental vehicle excise tax are reduced or eliminated, the State will need to identify alternative, sustainable funding—whether within the transportation revenue structure or from the General Fund—to avoid deferring critical safety and state-of-good-repair investments.

We therefore encourage the Committee, in considering this bill, to pair any excise tax exemption with a clear plan to replace the affected revenues, so that Maryland can continue to meet its obligations to maintain safe, reliable, and well-maintained transportation infrastructure statewide.

Thank you for your consideration of this information. We stand ready to serve as a resource as the Committee continues to evaluate options for maintaining a stable and predictable



AMERICAN COUNCIL OF ENGINEERING COMPANIES/MARYLAND

Transportation Trust Fund.

Respectfully,

Maria K. Donovan

Maria Donovan
Executive Director
ACEC/MD