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RE: SUPPORT HB585 – Ways & Means– 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 HB585**.

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.