



February 6, 2026

The Honorable Jheanelle Wilkins, Chair
House Ways and Means Committee
Lowe House Office Building, Room 130,
6 Bladen St.,
Annapolis, MD 21401

BILL: HB 585 – Rental Vehicle Excise Tax – Repeal; POSITION: SUPPORT

Chair Wilkins, Vice Chair Feldmark, and Members of the Committee,

On behalf of the members of the American Car Rental Association (ACRA)¹, we strongly support HB 585. 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 HB 585 and, for the reasons stated, urge its swift passage.