Attempts to regulate peer-to-peer car rental networks appear untenable

By Art Raymond @DNTechHive
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SALT LAKE CITY — Two competing proposals, each looking to apply regulations to companies that offer peer-to-peer car rental/sharing services in Utah, appear to be stalled out and unlikely to advance before the end of the Utah legislative session.

A representative from Turo, the company that has been at the center of conversations about the new regulations, told the Deseret News they're underdogs embroiled in a battle against well-established, and well-financed, legacy car rental companies that are looking to protect their territory.

"We see this as a David versus Goliath battle," said Lou Bertuca, Turo's director of government relations. "(Traditional rental car companies) want to use their extensive political connections. It's really about them wanting to eliminate consumer choice and take away a tool that is economically important."

For those not familiar with the service, Turo follows a similar peer-to-peer business model that allows homeowners to rent their spaces out through the Airbnb network or drivers to transport riders in their own cars through networks run by companies like Lyft or Uber. Turo connects vehicle owners who want to make their cars or trucks available for rent via an app-based platform to those in need of a borrowed vehicle.

A Turo spokeswoman said the company has over 2,300 hosts in Utah, and each is earning on average around $250 per month. Nationally, Turo hosts, who rent out their vehicles through the company's network, earn about $625 each month.

Rep. Kim Coleman, R-West Jordan, said she assembled HB354with a group of stakeholders including Turo, the state's largest traditional car rental operator, Enterprise and others, and told a legislative committee on Monday that moving the proposal forward would be critical to all involved.

"We do have a situation that we believe that the parties that have been at the table really need an immediate resolution," Coleman said. "I'm really pleased at how far the parties have come to agree to something. This would reference a national agreement as well as a local agreement to allow these companies to start operating without the threats they've been operating under."

Coleman's bill, however, was rejected by the Senate Transportation, Public Utilities, Energy and Technology Standing Committee on a 1-5 vote. Later on Monday, Sen. Curt Bramble, R-Provo, announced on the floor of the Senate he was circling his bill, SB190, and abandoning any attempts to get it approved this session.

"We tried very diligently to bring these disparate business models and taxpayers together to a point where they could agree," Bramble said. "And it was not possible."

Both Bramble and Coleman anticipate the discussion will be picked up during interim meetings and potentially addressed next session.

At issue is arriving at an equitable assessment of taxes and fees that both traditional rental car operators and new, networked operators find fair and reasonable. Coleman noted that traditional operators already enjoy expansive, taxpayer subsidized tax benefits that include an exemption from paying sales tax on the vehicles they purchase, as well as other perks, that amount to around $30 million every year.

The legacy car rental companies say everyone should be treated in a similar fashion and would like to see Turo and others of its ilk on the hook, as they are, for the 9.5 percent tax assessed via the Tourism, Recreation and Convention Facilities Tax and other fees.

Lacking a weigh-in from lawmakers, efforts between the Salt Lake City International Airport and Turo to negotiate a workable deal for the company to operate on airport property may also be shunted to a holding pattern.

Airport Executive Director Bill Wyatt said that, so far, the way Turo has entered the market in Utah is not unlike the path that was traveled when Lyft and Uber, so-called transportation network companies, appeared on the scene and began disrupting another industry that had remained relatively unchanged for decades.

"In the case of the (transportation network companies) the path was not dissimilar," Wyatt said. "They came in and began operating in cities without any kind of permitting or anything at all.

"In time, their business models matured ... and they began to find ways to work with various jurisdictions in a manner that was consistent with regulation."

Wyatt said that the failure of the legislature to adopt a definition of what Turo and similar companies are, from a regulatory standpoint, leaves the airport in a difficult position as far as hammering out any kind of agreement with these types of companies.

"Here is the key ... the Legislature needs to define the peer-to-peer car sharing model," Wyatt said. "For us to cut a separate deal that would be more or less renumerative, puts us at risk with our existing customer base."

Wyatt noted dozens of rental car agencies operate, under current regulations, at the airport, thought not all have a physical presence on airport property. Collectively, the companies generate about $40 million in revenues for the airport.

Until some version of an operating agreement can be established, Turo hosts can be cited for performing transactions on airport property, like delivering vehicles to renters, and fines for infractions can be as much as $500. Last week, the Salt Lake City Council changed the citations from criminal to civil infractions.

An Enterprise representative discounted Turo's depiction of itself as "David," noting Turo has millions in venture backing and is likely already one of the bigger rental services in the country. He also said his company was looking forward to continuing to participate in the process of crafting a Utah legislative solution.

"We welcome the opportunity to continue to discuss and develop this legislation in the future," said Ray Wagner, Enterprise's senior vice president for government and public affairs. "It's important for all consumers and the whole industry of peer-to-peer as well as the traditional rental car companies. We look forward to seeing fair policy for taxation and collection of other fees as they apply to all car rental companies."

Big business bullies versus scrappy innovators

Big business bullies versus scrappy innovators

Andre H. Follow
CEO at Turo

Why David should always fight back against Goliath

Life isn't fair. So your mother told you when you were growing up, and the older you get, the more you realize her sage words are all too true. But you also realize the profound importance of fighting back against injustices. Competition is what makes business exciting — everyone's always jockeying to be the first, the biggest, the brightest. But when the gloves come off and the punches fly, you realize that businesses don't always play fairly.

Enterprise Rent-A-Car, the biggest car rental company in the world, has been waging a multi-front war against Turo for over two years now, using misleading legislative tactics that show that they're in to fight dirty. Their narrative equates Turo hosts with corporate car rental companies and asserts that hosts should be taxed and regulated as such. Enterprise has been aggressively perpetuating this story in state capitol halls around the US, using their sizable clout to tax, regulate, and bully Turo out of existence.

A peer-to-peer car sharing marketplace, Turo connects people who need a car with folks who have one to spare. It empowers people to offset the costs of these expensive assets, while creating a collaborative community and creating unparalleled choice for consumers, since our "fleet" is a vast network of privately owned vehicles — from daily drivers to exotic head-turners.

As the Washington Post recently reported, incumbent bully Enterprise is threatened by Turo as an innovative alternative to their aging business model. They're fighting their battle for relevance with their deep pockets and political influence rather than where it counts — by improving the consumer experience and innovating to keep up.

What's going on

The most significant volley in their war of attrition came from the city of San Francisco, **who, lobbied by Enterprise, recently sued Turo** claiming that we were dodging regulatory fees at San Francisco International Airport, despite California legislation clearly differentiating peer-to-peer car sharing from car rental,(1) and many olive-branch efforts by Turo to collaborate with SFO on a fair permitting regime. Turo responded to these baseless claims assertively, **counter-suing the city of San Francisco** for unlawful and unconstitutional practices.

The most recent attack has been in Maryland, where Enterprise and its mouthpiece, the American Car Rental Association, have pushed legislation that would define peer-to-peer car sharing hosts as rental car companies, thus imposing the same permitting and fee structures on both parties.

Equating a multi-billion dollar corporation with a network of local car owners sharing their cars to help make ends meet is unfathomably unfair and unethical. Enterprise asserts that they just want a "level playing field."(2) While they collect rental car taxes from consumers, they fail to mention that they don't pay sales tax on vehicle purchases (which everyday citizens certainly do) and enjoy tens of millions of dollars in annual savings from federal tax breaks in Maryland, and billions nationwide. Ironically, they save far more in sales tax deductions and federal tax exemptions than consumers pay in rental car taxes! They get a free pass on their own taxes, and then pass the buck to consumers for rental car taxes.

To "level" the proverbial playing field, they blocked passage of a sensible car sharing law in Maryland until legislators relented to their pressure and imposed an 8% tax on peer-to-peer car sharing in Maryland, with no consideration for the outsize benefit afforded to them on sales tax exemptions on vehicle purchases. The arithmetic for leveling the playing field with everyday consumers just doesn't add up.

Enterprise has undertaken similar efforts all across the country, but fortunately, Turo has been prevailing in these state level legislative battles based not on campaign contributions, but on objective fairness. In 2018 alone, Turo has worked to block harmful and anti-competitive legislation and proposals pushed by Enterprise in Indiana, Iowa, New Hampshire, Maine, West Virginia, Utah, New Mexico, Hawaii, and California.

To level the playing field truly, Turo has been championing legislation that would recognize peer-to-peer car sharing as a distinct industry from car rental, and we're firmly resolved to prove that innovation cannot be boxed into traditional frameworks.

Building walls around the past

For years, Enterprise has been gobbling up its competitors — it acquired Vanguard Automotive Group in 2007, the parent company of National Car Rental and Alamo Rent a Car, and has been collecting small car sharing companies for the last decade. The result is a behemoth company with massive market share. In 2017, they had more than double the fleet size of their next largest competitor (Hertz) with 1.2 million cars in the US alone,(3) and they reported $22.3 billion in revenue.(4) Despite controlling nearly half the car rental market, they're still battering the little guys and demonstrating monopolistic behavior. They've poured significant time and resources into consolidating the market, investing in their own profitability, and securing tax breaks at the state and federal level, rather than innovating their business model.

Incumbent monoliths resist modern innovation, but innovation consistently wins in the end.

The rental agency experience hasn't changed in decades — you still linger in line at the rental counter, fill out form after form, and all for some lackluster car "or similar" that was bought wholesale from the manufacturer's surplus supply. It serves its purpose, but it couldn't be more commodified.

Contrastingly, the peer-to-peer car sharing business model has been evolving for years, and is now being recognized as a legitimate threat to traditional models. Sweating under the pressure, antiquated big businesses are trying to quash their modern, technology-enabled competition with their heavy-weight might instead of fighting where it counts — with innovation.

Bullying away their own shortcomings

This narrative, of course, is not new. All incumbents have tried the same tactics over the years — something newer and smarter emerges, and the granddaddy bigwigs try to swat it away like a housefly. Telecoms tried to regulate VOIP providers like Skype out of existence, taxis tried to shoo Uber and Lyft away, hotel chains tried to snuff out Airbnb, auctioneers and traditional brick and mortar businesses tried to jettison eBay, Blockbuster tried to kill Netflix. And look how those battles turned out.

Until these big businesses invest in clever solutions to modern-day problems, they're just fighting to preserve their outdated glory days. They also are positioning themselves as bullies, and no one likes a bully. Incumbent monoliths resist modern innovation, but innovation consistently wins in the end.

Enterprise simply can't offer the selection and personalized customer experience that Turo hosts can. Hosts, like their cars, run the gamut — from families trying to make ends meet, to students paying off their loans, to car collectors who want to share the experience of their cherished collectibles. A study we conducted in early 2017 reported that over half (52%)(5) of Turo hosts surveyed use their earnings to pay down their car loan or lease payments. As a result, the cars available run the spectrum from the affordable and practical to the extraordinary and rare, and the experience is personal, unique, and categorically different from a rental car experience.

A rally cry for the underdogs out there

The Turo community is anyone working to pay off their car or make ends meet. They're neither a corporate entity, nor do they enjoy the huge tax breaks that rental car companies do. They're regular folks.

On behalf of all the Davids out there fighting their Goliaths, we fight with you. We fight for our community, we fight for the innovators, we fight for the people turning towards a brighter, smarter future, and we fight against big business bullies in favor of a level playing field for consumers.

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(1) Source: Cal. Ins. Code § 11580.24.

(2) Source: The Verge, February 23, 2018. ***https://www.theverge.com/2018/2/23/17040276/turo-sfo-lawsuit-car-sharing-enterprise***

(3) Source: Auto Rental News, Market Data - US Car Rental Market ***http://www.autorentalnews.com/fileviewer/2689.aspx***

(4) Source: Reuters, October 23, 2017. ***https://www.reuters.com/article/usa-car-rental-enterprise/enterprise-holdings-posts-6-5-pct-rise-in-fy2017-revenue-idUSL2N1MZ00U***

(5) Source: Turo host survey, January 2017. 645 respondents.

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Reforming Rental Car Excise Taxes

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Key Findings

- State and local governments have used car rental excise taxes to raise revenue, including for projects like stadium construction and amateur sports funding. Forty-four states levy rental car excise taxes. Most states also permit county and municipal governments to add a rental car tax, which may range from a flat-dollar surcharge to an *ad valorem* percentage of the value of the car rental.

- Car rental excise taxes are levied in concert with state and local sales taxes, airport concession fees, and vehicle license and registration recovery fees. This has created a byzantine structure of taxes and fees, with effective tax rates on consumers often exceeding 30 percent.

- Excise taxes on car rentals are unsound tax policy, as they narrowly target one industry in the hope of exporting the tax base onto nonresidents. This has negative effects for residents when they pay higher prices for rental car services. States also experience lower economic growth when travelers adjust their behavior to avoid the tax. Evidence shows that travelers reduce their demand for car rentals when taxes rise and travel across state lines in search of a better deal.

- The sharing economy has given people the opportunity to rent out their own cars through peer-to-peer car-sharing arrangements. Peer-to-peer car sharing is projected to grow from $5 billion in 2016 to $11 billion in 2024—20 percent growth per year. This has led to discussions about whether to levy car rental excise taxes on car sharing. Instead of extending poor tax policy onto new business models, policymakers should reevaluate the tax regime imposed on car rental services. States that have not incorporated car rental services into their sales tax bases should do so, and states with rental car excise taxes should repeal them.

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Introduction

Travel and tourism are an important source of economic growth and tax revenue for state and local governments. Representing 2.7 percent of U.S. gross domestic product, the travel and tourism industry employed 5.4 million people in 2016.[1] Individuals travel for both work and leisure. Approximately 70 percent of travel expenditures are for leisure purposes, with the remaining 30 percent representing business travel.[2] Most travel and tourism comes from domestic trips: there were 2.2 billion domestic U.S. visits in 2017, compared to 76 million visits from people abroad.[3]

The economic importance of travel and tourism to the American economy has led state and local governments to consider how the tax code should treat nonresidents. Renting a car is an important aspect of American travel, giving visitors the flexibility they need to get to their destinations. State and local governments have used this as a revenue opportunity, creating a byzantine tax regime that targets rental car users and, by proxy, travelers from outside the taxing jurisdiction.

The rise of the sharing economy has impacted car rentals as it did other industries, including those driving taxicabs and providing short-term accommodations. Peer-to-peer car-sharing firms allow people who otherwise would not have the opportunity to rent their cars to participate in the car rental market. Like the case of ridesharing, incumbents argue that new economy firms are not on a level playing field and that the existing tax regime should equally apply to car-sharing businesses.

This paper provides an overview and assessment of rental car excise taxes, their negative economic effects, and how policymakers should reform how car rental taxes work. It will also explore how policymakers should treat new economy firms providing a platform for car sharing, as many states are beginning to explore ways to incorporate car sharing into their tax codes. This paper will argue that excise taxes on car rentals should be repealed and the broader tax regime reformed to conform to the principles of sound tax policy.

History and Overview of Car Rental Excise Taxes

Over the past three decades, excise taxes on car rentals have expanded across the United States. They are levied at the state-level in 44 states, in addition to rental car excise taxes levied by county and municipal governments (see Figure 1 and Appendix Table 1).

A competitive industry with $42 billion in revenue in 2018, car rental companies have thin profit margins and high expenditures to build and maintain a rental vehicle fleet.[4][5] Despite this feature of the industry, car rentals are frequent sources of state and local government revenue.

1 "Travel & Tourism: Economic Impact 2017, United States," World Travel Tourism Council, March 2017, https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/unitedstates2017.pdf.

2 Ibid, 6.

3 "U.S. Travel and Tourism Overview (2017)," U.S. Travel Association, 3, https://www.ustravel.org/system/files/media_root/document/Research_Fact-Sheet_US-Travel-and-Tourism-Overview.pdf.

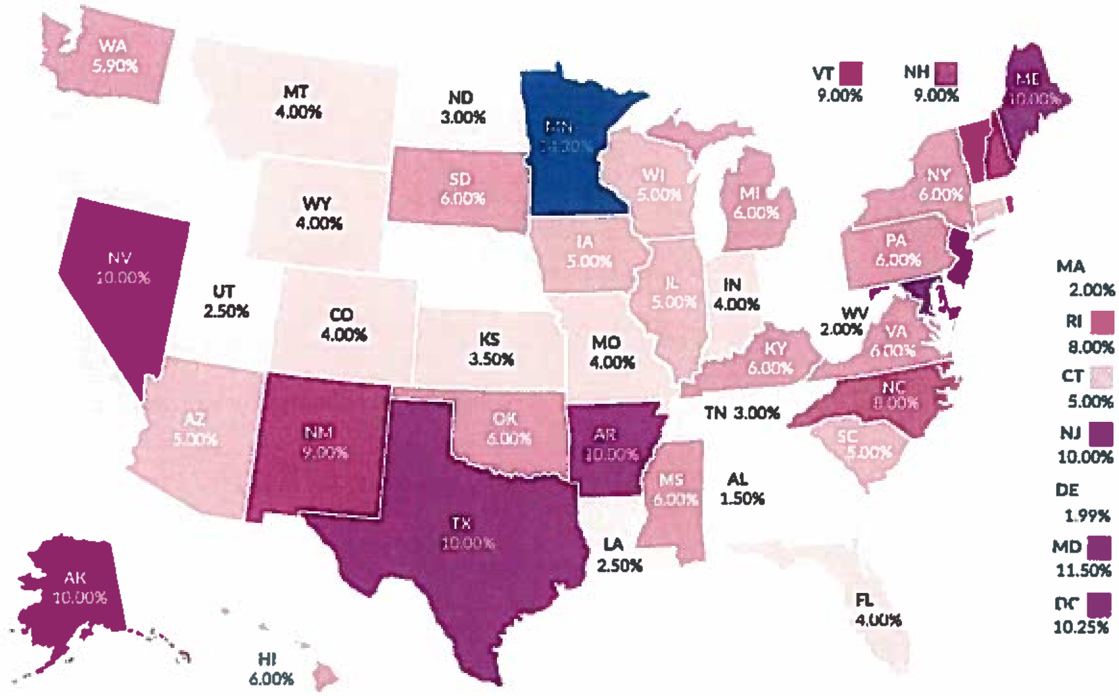
4 William G. Gale and Kim Rueben, "Taken for a Ride: Economic Effects of Car Rental Excise Taxes," Heartland Institute, July 17, 2006, https://www.heartland.org/publications-resources/publications/taken-for-a-ride-economic-effects-of-car-rental-taxes.

5 "Car Rental Industry in the US," IBISWorld, November 2018, https://www.ibisworld.com/industry-trends/market-research-reports/real-estate-rental-leasing/car-rental.html

FIGURE 1.

How High Are Car Rental Tax Rates in Your State?

State Effective Car Rental Excise Tax Rates, 2019



Note: Tax rates include state car rental excise taxes and exclude local car rental excise taxes, airport concession fees, state and local sales tax, and rental car recovery fees. Effective tax rates are estimated using a car rental that costs $50 per day pre-tax for two days, or $100 total. Effective tax rates are higher when including all taxes and fees. At Chicago's O'Hare Airport, for example, the effective tax rate including all taxes and fees is about 51%. D.C.'s rank does not affect states' ranks, but the figures in parentheses indicate where it would rank if included.

Source: Tax Foundation calculations and state statutes.

The Structure of Rental Car Taxes and Fees

As one can see in any rental car contract, car rentals are subject to layers of different taxes and fees that make up a portion of the total bill. Many of these fees are imposed on rental car firms directly, then passed along to the consumer.

One of the most common places where people may need car rentals is at an airport. Local airports may be miles from a traveler's destination, and in the absence of quality public transit, car rentals are one of the only options available to travelers looking for reliable transportation. Car rentals also afford travelers flexibility that public transit or taxicabs may not provide. As a result, airports across the country have built infrastructure for car rental firms, including dedicated facilities, airport transit, and parking areas. In return, airports often levy several fees on car rental companies wishing to do business at airports. The revenue from these fees may also be shared by municipal and county governments, though this varies by jurisdiction.

The most common types of fees are customer facility charges and airport concession fees, which help fund the direct expenses associated with rental car infrastructure at airports and indirect funding needs for the airport. Rental car companies will pass these fees along to the consumer, calling them "recovery fees." Rental car companies are regulated by state governments, which often charge these firms higher fees to register and title their vehicles as a method of funding motor vehicle departments. The companies will in turn also pass along these costs to the consumer in the form of license and registration recovery fees.

Separate from airport-related charges and recovery fees, state and local governments levy excise taxes on car rentals. Often, there are multiple excise taxes on car rentals by state, county, and city governments (see Table 1). In Chicago, for example, car rental customers pay a 5 percent Illinois state car rental tax, a 6 percent excise tax levied by the city's Metropolitan Pier and Exposition Authority (MPEA), and another 9 percent personal property lease transaction tax levied by the city of Chicago.[6]

State car rental excise taxes are applied on an *ad valorem* basis, where the tax applies to a percentage of the sale price, or as a flat dollar amount. Thirty-five states and the District of Columbia use *ad valorem* taxes only, six states assess a flat surcharge, and three states levy both an *ad valorem* tax and a flat-dollar surcharge. States using a flat-dollar surcharge may levy a one-time tax, as Massachusetts does, or may charge a flat amount per-day, as Hawaii, New Jersey, and West Virginia do. Flat-dollar rates yield higher effective tax rates on less expensive rentals and lower tax rates on more expensive rentals, which can be regressive if a consumer's income and car rental tastes are related.[7]

States typically distinguish in their statutes whether a car rental excise tax applies to short-term car rentals or to longer-term leases. States may specify that long-term lease arrangements are exempt from car rental excise taxes or they may levy a different rate. For example, Alaska's 10 percent vehicle rental tax applies to passenger vehicle rentals of 90 consecutive days or less in duration. Leases lasting longer than 90 days are exempt from the tax.[8]

Most states also incorporate car rental transactions into their sales tax base. This is a positive trend, as states have struggled to incorporate services into their sales tax bases, lowering revenue collection and raising sales tax rates on items included in the tax base.[9] Seven states exclude car rentals from state sales tax—Illinois, Kentucky, Maine, Maryland, Texas, Vermont, and Virginia. Other states offer a state sales tax rate below the general rate. For example, in Mississippi, car rental transactions face a 5 percent state sales tax, not the 7 percent general state sales tax rate.

6 Brendan Bakala, "Planes, Trains, and Automobiles: Chicago's High Travel Taxes," Illinois Policy Institute, December 20, 2017, https://www.illinoispolicy.org/planes-trains-and-automobiles-chicagos-high-travel-taxes/.

7 William G. Gale and Kim Rueben, "Taken for a Ride: Economic Effects of Car Rental Excise Taxes," 11.

8 "Vehicle Rental Tax Historical Overview," Alaska Department of Revenue - Tax Division, http://www.tax.alaska.gov/programs/programs/reports/Historical.aspx?60255.

9 Nicole Kaeding, "Sales Tax Base Broadening: Right Sizing a State Sales Tax," Tax Foundation, Oct. 24, 2017, https://taxfoundation.org/sales-tax-base-broadening/.

TABLE 1.

Selected County and Municipal Rental Car Excise Taxes

State	Locality	Car Rental Excise Tax Levy	Purpose
Alaska	Anchorage	8%	City general fund
Arizona	Maricopa County (Phoenix)	3.5%	Glendale Stadium; youth & amateur sports
Arizona	Pima County (Tucson)	$3.50	Kino Sports Complex
Georgia	Atlanta	10%	State Farm Arena
Illinois	Chicago	6% and 9% transaction tax (a)	City general fund
Indiana	Marion County (Indianapolis)	6%	County general fund
Massachusetts	Boston	$10 fee	Convention centers
Michigan	Detroit	2%	Comerica Park
Missouri	Kansas City	$4 per day	Sprint Center
New York	New York City	5%	City general fund
North Dakota	Grand Forks, Bismarck, Minot	1% at airports	City general fund
Pennsylvania	Philadelphia	2%	Transportation funding
Tennessee	Shelby County (Memphis)	2%	County general fund
Texas	Amarillo, Austin, Euless, El Paso, and Harris County (South Houston)	5%	Sun Bowl game (El Paso); venues (stadiums, arenas, convention centers); tourist development
Utah	Salt Lake County	7% tourism tax	Tourism, recreation; cultural & convention fund
Washington	Pierce (Tacoma), King (Seattle), and Spokane Counties	1% plus 0.8% transit authority tax	Regional transit (0.8%); sports stadiums or amateur sports activities (1%)

Note: (a) Chicago's Metropolitan Pier and Exposition Authority (MPEA) levies a 6 percent rental car tax and the city of Chicago levies a 9 percent personal property lease transaction tax.
Source: State departments of revenue, state budget offices, county tax departments.

The number of taxes and fees involved can make it difficult for consumers to determine how their tax dollars are being used. For example, consider a traveler who flies into Honolulu International Airport in Hawaii. The traveler books an economy rental car, paying $57.04 before taxes and fees. After taxes and fees, the traveler pays a total of $75.09, an effective tax rate of 31.06 percent (see Table 2).

TABLE 2

Renting an Economy Car (One Day), Honolulu International Airport

Rental, Taxes, and Fees	Amount
Economy Rental Car (1 Day)	$57.04
Concession Recovery Fee (11.11%)	$6.45
Customer Facility Charge ($4.50/day)	$4.50
Rent Tax Surcharge ($5.00/day)	$5.00
General Excise Tax (4.17%)	$2.69
Honolulu County Tax (0.55%)	$0.35
Total	$75.09

Note: Hawaii's statutory state excise tax is 4 percent. Hawaii requires firms to collect and remit excise tax on all revenue collected from customers, including on the excise tax collections. This yields an additional 0.166 percent. For more, see Lowell L. Kalapa, "Tax at 4% or 4.166%?" Tax Foundation of Hawaii, Aug. 10, 2003, https://www.tfhawaii.org/wordpress/blog/2003/08/tax-at-4-or-4-166/.
Source: Tax Foundation calculations and two online rental car company sample bookings.

Some states are aware of the high effective tax rates they are imposing on car rental consumers and aim to limit how much localities can levy. For example, Washington state permits localities to levy a 0.8 percent motor vehicle excise tax but allows no more than 13.64 percent on sales tax paid on the car rental.[10]

How Rental Car Excise Tax Revenue is Used

Rental car excise tax revenue is used differently in each state. Some states, like North Carolina and Montana, contribute the revenue into a general fund. Others, like New York and Washington, use the revenue to fund transportation projects.[11] Montana raised its rental car tax in 2017 to offset a structural budget deficit.[12] Some state and most local excise taxes on car rentals are used to finance local projects, including stadiums and sports arenas. Over 35 sports stadiums have been funded in part from car rental excise tax revenue.[13]

In addition to stadiums, states and municipalities use the revenue to support tourism-related events. For example, Atlanta, Georgia appropriated $350,000 from its 10 percent car rental tax to support the 2019 Atlanta Jazz Festival.[14] Texas has developed a framework determining how localities can use their rental car excise tax revenue, allocating it to building civic venues, including arenas, stadiums, convention centers, and watershed protection.[15] They are permitted to levy a rental car tax on top of Texas' 10 percent state car rental tax.

10 "Local Taxes," Washington State Legislature, 123, http://leg.wa.gov/JTC/trm/Documents/TRM_2015%20Update/8%20-%20Local%20Taxes.pdf.

11 Allison Hiltz and Luke Martel, "Rental Car Taxes," National Conference of State Legislators, April 2015, http://www.ncsl.org/research/fiscal-policy/rental-car-taxes-lb.aspx.

12 "The Latest: Businesses Oppose Hotel, Rental Car Tax Increase," *The Seattle Times*, Nov. 13, 2017, https://www.seattletimes.com/nation-world/the-latest-committee-hears-little-opposition-to-budget-cuts/.

13 William G. Gale and Kim Rueben, "Taken for a Ride: Economic Effects of Car Rental Excise Taxes," 4.

14 David Pendered, "Atlanta Jazz Festival Funded, Again, with Proceeds of Car Rental Tax at Airport," *Saporta Report*, Feb. 5, 2019, https://saportareport.com/atlanta-jazz-festival-funded-again-with-proceeds-of-car-rental-tax-at-airport/.

15 "Legal Framework for Funding Venues Under the Texas Local Government Code Chapter 334," City of Austin, http://www.austintexas.gov/edims/document.cfm?id=271689.

Economic and Tax Policy Consequences of Rental Car Excise Taxes

As car rental taxes and fees have become commonplace, there has been little attention paid to the economic and tax policy rationale. Unlike other excise taxes, policymakers do not aim to reduce the use of rental cars or eliminate a negative externality. While passenger vehicles may create a negative externality in the form of carbon emissions, this is not a special feature of car rentals and is not the justification for their use. Instead, rental car excise taxes are used to export a portion of the tax base onto nonresidents, who bear a disproportionate burden of the tax.

Economic Incidence of Car Rental Excise Taxes

Those offering cars for rent are legally required to collect and remit car rental excise taxes as part of their business obligations. As the example of the visitor at Honolulu International shows, however, the economic incidence of the tax is realized by consumers in the form of higher prices.

Economic theory suggests that the burden of a tax is borne on those who make few adjustments to their behavior in response to the new levy. The demand for car rentals is perceived to be relatively inelastic. This means that consumers will be less sensitive to the change in price introduced by the tax, as they may have few options other than renting a car to get to their destination. The availability of substitutes is one factor that determines a good or service's elasticity, and with car rentals, they are often one of the only options for transport in rural or suburban areas in the United States.

Though consumers of car rentals may be less sensitive to car rental taxes than those choosing between transit options in their hometowns, this does not mean that car rental taxes have no economic impact. On the contrary, these taxes distort the decision-making of consumers and the economies of the taxing jurisdictions. For example, tax scholars William Gale and Kim Rueben found that a $4 per day rental car levy in Kansas City, Missouri—an effective tax rate of about 13 percent on an economy vehicle—reduced the number of customers at affected branches by 9 percent relative to branches that were unaffected.[16] While consumers had less than a proportionate response to the tax, they altered their behavior by using other transportation options.[17]

Tax Exporting

Car rental excise taxes are a prime example of tax exporting. Tax exporting occurs when state and local governments create tax burdens for nonresidents. Excise taxes on car rentals can be grouped with hotel occupancy taxes, meal taxes, commuter taxes, and tourism taxes as examples of states and localities exporting their tax burden to nonresidents.[18] Tourists paying gas tax, out-of-state corporations paying corporate income taxes, and visitors paying state sales taxes are other examples of tax exporting. Policymakers have an incentive to export tax burdens, as it avoids the political pressure involved when levying new taxes on constituents.

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16 Ibid, 5.

17 If car rental services were elastic, a 13 percent increase in the effective tax rate of the rental car service would yield at least a 13 percent decrease in consumer demand.

18 Katherine Loughead, "How High Are State and Local Tax Collections in Your State?," Tax Foundation, Sept. 19, 2018, https://www.taxfoundation.org/state-local-tax-collections-per-capita-2018/.

Nonresident travelers and tourists make up a large segment of those using car rental services, though residents also rent cars for their own travel needs. Travelers and tourists bear most of the tax burden, as car rental firms pass on most of the tax burden to consumers. This form of tax exporting is indirect, as it would be a violation of the U.S. Constitution's Commerce Clause to directly impose a tax burden on nonresidents that is not imposed on residents.[19] Some jurisdictions have tried to go further by enacting car rental taxes that only affect nonresidents, though this tactic was struck down in 2017 when Chicago tried to do so.[20] Hawaii is one of the more creative states, assessing a $3 per day fee for those with a Hawaii driver's license, but a $5 per day fee for those without one. This effectively charges a higher tax for nonresidents of Hawaii renting cars.

While tax exporting may succeed in disproportionately burdening nonresidents with a rental car tax, the taxes have negative economic effects for the taxing jurisdiction. In addition to lowering the quantity of car rental services demanded, there is evidence that consumers will travel to lower tax jurisdictions nearby, as was the case when Kansas City, Missouri levied a $4 per day rental car tax. Residents and nonresidents alike traveled across the state line to nearby Kansas, which offered a lower effective tax rate on an *ad valorem* basis, to avoid the tax in Missouri.[21][22] This harmed Kansas City, Missouri's economy, resulting in missed tax revenue, lower output, and potentially lost jobs in the rental car industry.

Rental car excise taxes, while having a disproportionate effect on nonresidents, also affect residents directly. Residents may rent cars to avoid adding mileage to their own vehicles during long-haul travel, or may rent a vehicle in lieu of owning one for occasional travel needs. In this case, the tax burden is directly felt by residents, who may adjust their behavior and use second-best travel options. This may increase their commuting time, lowering economic growth.

Car Rental Excise Taxes and Tax Policy

In addition to being economically damaging, car rental excise taxes fail the test of sound tax policy for multiple reasons: they violate the tax principle of neutrality, are not connected to taxpayer use of government services, and pose high administrative costs.

Ideally, car rental services would be subject to the same sales and use tax that other goods and services are subject to in a state or locality. Most states have done so, avoiding the broad exemptions that typically apply to other services. By levying additional excise taxes, however, policymakers are narrowly targeting one industry, distorting consumer decision-making and affecting one mode of transportation more heavily than others, such as rail, buses, or trains.

Car rental excise taxes are also disconnected from the benefits the taxpayers receive. As Table 1 illustrates, counties and cities allocate revenue from rental car taxes to unrelated projects, including sports stadiums, amateur sports initiatives, and cultural events. While some of these projects may

19 William G. Gale and Kim Rueben, "Taken for a Ride: Economic Effects of Car Rental Excise Taxes," 12.

20 Jared Walczak, "Illinois Supreme Court Strikes Down Chicago Tax on Car Rentals Outside Chicago," Tax Foundation, Jan. 23, 2017, https://www.taxfoundation.org/illinois-supreme-court-strikes-down-chicago-tax-car-rentals-outside-chicago/.

21 William G. Gale and Kim Rueben, "Taken for a Ride: Economic Effects of Car Rental Excise Taxes," 19.

22 Prospective rental car customers may choose to pay the car rental excise tax if the time or monetary cost associated with traveling to a lower-tax jurisdiction is greater than the benefit of avoiding the higher tax.

benefit nonresidents, residents receive most of the benefits given their long-term proximity to the taxing jurisdiction. Contrast this with airport concession fees, which are directly tied to a visitor's use of the airport facilities. Car rental tax revenue that is used for transportation projects has a closer connection with the benefits visitors receive, but using revenue in this way is not predominate. Visitors also pay gas taxes and tolls, which also fund infrastructure they use while traveling, just like residents. There is no tax policy rationale for why nonresidents should bear a greater cost of infrastructure than residents.

Car rental excise taxes and related fees also pose high administrative costs for localities, firms, and consumers. For example, airport concession fees are used to support airport operations, but occasionally customers are charged these fees even when they book a rental car in a non-airport location.[23] Determining one's potential tax liability before a trip and weighing different options presents a challenge for consumers, as is the administrative complexity introduced to rental car firms which operate in overlapping tax jurisdictions.

It is appropriate for policymakers to ensure that non-visitors are supporting the government services they benefit from while visiting their city or state. Tourists and travelers provide economic benefits in the form of new jobs, businesses, economic development, and revenue from sales and use taxes. The tax code should provide equal tax treatment for this cohort. Policymakers can get closer to this goal by repealing car rental excise taxes and using alternative revenue sources for government-subsidized projects like sports stadiums.

The Car Rental Tax Regime and the New Economy

The sharing economy has introduced new business models for providing rental car services, which has led to questions surrounding whether and how to incorporate sharing economy firms into the tax and regulatory regime governing car rental companies.

Some car-sharing firms own their own vehicles but provide consumers with flexible rental arrangements, whereby they book a car parked in a nearby neighborhood electronically without having to visit a central car rental facility. Peer-to-peer car-sharing firms, by contrast, do not own their own rental car fleets. Instead, peer-to-peer car-sharing firms provide a platform to facilitate private rental car arrangements. Private individuals may offer their car for rent on the platform, with the platform serving a coordination function in a digital marketplace. This can be compared to ridesharing and short-term rental platforms, which also connect users together. The car-sharing platform charges a fee to users for using it, but otherwise remits income earned to individuals sharing their vehicles with others.

Peer-to-peer car sharing is projected to grow rapidly, from $5 billion in 2016 to $11 billion in 2024—20 percent growth per year.[24] No wonder there is urgency for states to determine how the tax code should treat these new firms.

23 Christopher Elliott, "Bizarre New Car Rental Trick: An Airport Fee for a Non-Airport Rental," Elliott Advocacy, June 30, 2009, https://www.elliott.org/blog/bizarre-new-car-rental-trick-an-airport-fee-for-an-non-airport-rental/.

24 Alison Griswold, "Startups like Uber Decimated Taxi Companies. Rental Companies are Next," Quartz, May 10, 2018, https://www.qz.com/1253717/turo-is-doing-to-rental-car-companies-what-uber-did-to-taxis-and-theyre-scared/.

State Incorporation of Peer-to-Peer Car Sharing into the Tax Code

States are beginning to debate how peer-to-peer car sharing should be incorporated into the state tax code. They are taking different approaches in doing so: interpreting existing statutes to include peer-to-peer car-sharing arrangements or revising rental car tax statutes to include those arrangements.

Some states, such as Alaska, are attempting to use existing car rental tax statutes, arguing that they already apply to peer-to-peer car-sharing firms. While the merits of the legal arguments related to this approach are being tested in the courts, policymakers in these states should reconsider the statutes governing car rentals. Most of these statutes were enacted prior to the emergence of peer-to-peer car sharing. While a reform of the tax code governing car rentals may not be necessary, it could be an opportunity to reevaluate the need for rental car excise taxes in their jurisdiction.

Other states, like Arizona, are considering a revision of their rental car tax statutes to either define peer-to-peer car sharing firms as rental car companies or include peer-to-peer car sharing as a distinct category but subject them to the same tax and regulatory framework that applies to rental car companies.

TABLE 3.

Status of Peer-to-Peer Car-Sharing Tax Proposals (As of March 21, 2019)

State	Proposal	Status
Alaska	N/A	Enforcing existing statute
Arizona	SB 1305 applies 5% rental car tax to car-sharing firms HB 2559 creates a separate regulatory and tax structure for peer-to-peer car-sharing firms	Bill pending (SB 1305) Bill pending (HB 2559)
California	N/A	Separate provisions for P2P firms
Colorado	Extends airport concession fees to car-sharing firms	Bill pending (SB 19-090)
Florida	Defines peer-to-peer car sharing as a car rental	Bill pending (SB 1148)
Hawaii	N/A	Treats car sharing and car rentals the same for tax purposes*
Maryland	N/A	Existing statute regulates peer-to-peer car sharing as a separate market.
Minnesota	Exempts car-sharing firms from rental car tax	Bill pending (HF 1357)
New Mexico	Repeals the 5% leased vehicle surcharge, requires concession fee agreements with airports	Bill pending (SB 556)
Ohio	Assesses sales tax and relevant airport concession fees (negotiated by airports) on peer-to-peer car-sharing firms	Bill pending (HB 62)
Texas	Requires peer-to-peer car-sharing firms to pay rental car excise taxes	Bill pending (HB 2872)
Utah	Requires peer-to-peer car-sharing firms to pay rental car excise taxes	SB 190 failed in the Senate
West Virginia	Requests a study on the feasibility of peer-to-peer car-sharing regulations (no mention of tax)	HCR 108 was enacted in March 2019

Note: *Hawaii charges $0.25 in rental car excise tax per half hour for use up to six hours up to $3/day (for those with a valid Hawaii driver's license) under their car-sharing tax provision.
Source: State legislative bill text and state statutes.

While this approach would be straightforward for policymakers, it omits the differences between rental car firms and peer-to-peer car-sharing arrangements. Peer-to-peer car-sharing firms do not rent vehicles to consumers, but instead provide a platform for consumers to connect with one another over vehicle rentals. Individual users are responsible for the maintenance, upkeep, and expenses associated with their vehicles, including the legal responsibility to withhold and file income taxes. Merely redefining peer-to-peer ridesharing firms as rental car companies for tax purposes misses key differences between the two.

There are examples of states taking the right approach. California was a pioneer, as the state has a separate statute governing car sharing, given the differences between those firms and rental car companies.[25] Oregon and Washington also have similar statutes. Both states have taken a sensible approach to clarifying the rules of the game for car-sharing firms, balancing the need for a framework in place without conflating car rental firms and peer-to-peer car-sharing companies. California, and Oregon lack state car rental excise taxes, which may have helped defuse some of the tension surrounding related legislation.

A related policy challenge surrounds the sales tax treatment of rental cars themselves. Rental car companies are usually exempt from paying sales tax when they purchase new rental vehicles. This is the proper tax treatment, as rental vehicles are business inputs. If rental car companies paid sales tax on rental cars, the tax may be passed forward to consumers and generate many of the problems associated with tax pyramiding.[26]

However, individuals who rent their cars on peer-to-peer car-sharing apps may not receive the same exemption, despite using their vehicle for business purposes. The problem is that sales tax provisions are not designed to apply to assets with a mix of business and personal use: either one is an exempt business or a consumer who pays the sales tax.[27]

This issue could be remedied if sales tax could be pro-rated and refunded based on how the asset is used, potentially through existing provisions to apportion vehicle expenses based on business use for income tax purposes. Until a solution is found, peer-to-peer car-sharing companies remain at a relative disadvantage as their users are paying sales tax on assets used for business use.

Peer-to-peer car-sharing firms are also grappling with jurisdictions that would add airport fees to transactions that take place at airports. Users may park their cars in airport garages for pickup or meet at an airport curbside for a vehicle. There is a stronger argument that users of peer-to-peer car arrangements should pay airport fees, as they are using airport facilities. However, it's unclear if those using peer-to-peer car sharing benefit to the extent car rental companies do, given the latter's use of dedicated facilities and parking. In some cases, such as in San Francisco, airports do not allow peer-to-peer car-sharing users to use direct drop-off curbside, as it would disadvantage

25 Neal Gorenflo, "California's P2P Car-Sharing Bill Signed Into Law," Shareable, Sept. 29, 2010, https://www.shareable.net/blog/californias-p2p-car-sharing-bill-signed-into-law.

26 Garrett Watson, "Resisting the Allure of Gross Receipts Taxes: An Assessment of Their Costs and Consequences," Tax Foundation, Feb. 6, 2019, https://www.taxfoundation.org/gross-receipts-tax/.

27 For an overview of similar challenges in the tax code, see Shu-Yi Oei and Diane M. Ring, "Can Sharing Be Taxed?" *Washington University Law Review* 93, no. 4 (2016), http://openscholarship.wustl.edu/law_lawreview/vol93/iss4/7

car rental companies.[28] Policymakers and airport authorities could use the example set by working with ridesharing firms at airports to determine a fee structure that makes sense for this type of arrangement.[29]

Creating a Level Tax Code for Car Rental Services

The debate over whether rental car excise taxes should apply to peer-to-peer car-sharing firms and users is a symptom of a broader problem with car rental excise taxes. Discriminatory taxes that target specific firms and industries are bound to be challenged by specific constituencies who have a vested interest in the policy process. States with broad, equitable tax bases that apply to all actors are less likely to be affected by industry lobbying, have fewer economic distortions in their tax codes, and have lower administrative costs.

The successful incorporation of ridesharing firms into the state regulatory, tax, and insurance frameworks over the past six years suggests that there can be a level playing field for peer-to-peer car sharing and rental car firms. That level playing field will not be found by extending a discriminatory and inefficient tax onto more firms, and by extension, customers.

Conclusion

While some policymakers may view car rental excise taxes as a viable revenue source by shifting the tax burden onto nonresidents, these taxes harm residents by driving up the price of local rental cars and curtailing economic growth. Economic evidence shows that travelers and tourists are sensitive to price changes for rental cars and adjust their behavior to avoid the tax.

The growing number of options that travelers have for rental cars, including peer-to-peer car-sharing arrangements, is an opportunity for policymakers to revisit the policy rationale for these discriminatory taxes. Instead of focusing on how excise taxes can be extended onto new business arrangements, states and localities should incorporate rental car transactions into the sales tax base if they have not done so and repeal targeted excise taxes.

28 Eric Boehm, "America's Biggest Rental Car Company Is Lobbying to Drive Away Competitors," *Reason*, August/September 2018, https://reason.com/archives/2018/07/12/americas-biggest-rental-car-co.

29 For an example, see Kelly Yamanouchi, "Uber X, Lyft Set for Legal Pickups at Atlanta Airport," *The Atlanta Journal-Constitution*, Dec. 29, 2016, https://www.ajc.com/business/uber-lyft-set-for-legal-pickups-atlanta-airport/XRVgS1swlof0a1FVQ0bPOO/.

Appendix

TABLE 4.

State Rental Car Excise Taxes

State	State Car Rental Excise Tax Rate	Within State Sales Tax Base?	State Sales Tax Rate	State Statute
Alabama	1.50%	Yes	4.0%	Ala. Code § 40 12 222
Alaska	10%	N/A	N/A (a)	Alaska Stat § 43.52.010.
Arizona	5%	Yes	5.6%	Ariz. Rev. Stat § 28--5810
Arkansas	10%	Yes	6.5%	Ark. Code § 26-63-302
California	None	Yes	7.25%	N/A
Colorado	$2 fee/day	Yes	2.9%	Colo. Rev. Stat. § 43-4-804(1)(b)(I)(A)
Connecticut	3% plus $1 tourism surcharge/day	Yes	9.35% (b)	Conn. Gen. Stat. §12-692
Delaware	1.99%	N/A	N/A (a)	Del. Code Ann. tit. 30, §4302
District of Columbia	10.25%	Yes	6.0%	D.C. Code § 47:20-22
Florida	$2/day	Yes	6.0%	Fla. Stat. §212.0606
Georgia	None	Yes	4.0%	N/A
Hawaii	$3/day for those with a HI driver's license; $5/day for those without	Yes	4.0% (c)	Hawaii Rev. Stat. §18-251-2
Idaho	None	Yes	6.0%	N/A
Illinois	5%	No	6.25%	35 ILCS 155
Indiana	4%	Yes	7.0%	I.C. § 6-6-9
Iowa	5%	Yes	6.0%	Iowa Code § 423.2
Kansas	3.50%	Yes	6.5%	Kan. Stat. Ann. § 79-51-17
Kentucky	6%	No	6.0%	Ky. Rev. Stat Section 138.460
Louisiana	2.50%	Yes	4.45%	LSA-RS 47:551
Maine	10%	No	5.50%	36 M.R.S. §§ 1481-1491
Maryland	11.50%	No	6.0%	Md. Code, Tax Law § 03.06.01
Massachusetts	$2 surcharge	Yes	6.25%	Mass. Gen. Laws ch. 10 §35 EEE
Michigan	6%	Yes	6.0%	MCL 205.94
Minnesota	9.2% + 5% fee	Yes	6.88%	Minnesota Stat § 297A-64
Mississippi	6%	Yes	5.0% (d)	Miss. Code Ann. §27-65-231
Missouri	4%	Yes	4.23%	Mo. Rev. Stat. §144.020.1
Montana	4%	N/A	N/A (a)	Mont. Code Ann. §15-68-102
Nebraska	None	Yes	5.5%	N/A
Nevada	10%	Yes	6.85%	NRS 482.313
New Hampshire	9%	N/A	N/A (a)	RSA 78-A
New Jersey	$5 fee/day	Yes	6.63%	N.J.S.A 18:40-1.1 e
New Mexico	5% ("Leased") + $2/day	Yes	5.13%	N.M. Stat. Ann. §7-14A-3
New York	6%	Yes	4.0%	N.Y. U.C.C. Law § 28-A
North Carolina	8%	Yes		N.C. Gen. Stat § 105-187
North Dakota	3%	Yes	4.75%	N.D. Cent. Code § 57-39.2-03.7.
Ohio	None	Yes	5.75%	N/A
Oklahoma	6%	Yes	4.5%	Okla. Stat. Ann. tit. 68, § 2110(A)
Oregon	None	N/A	N/A	N/A
Pennsylvania	2% + $2 fee/day	Yes	6.0%	61 Pa. Cons. Stat. § 47.20
Rhode Island	8%	Yes	7.0%	R.I. Gen. Laws § 31-34.1-2(a)
South Carolina	5% surcharge	Yes	6.0%	S.C. Code § 56-31-50
South Dakota	4.5% and a 1.5% tourism tax	Yes	4.5%	S.D. Codified Laws §32-5B-20.
Tennessee	3%	Yes	7.0%	Tenn. Code Ann. § 67-6-102, 67-6- 202

TABLE 4, *CONTINUED.*

State Rental Car Excise Taxes

State	State Car Rental Excise Tax Rate	Within State Sales Tax Base?	State Sales Tax Rate	State Statute
Texas	10%	No	6.25%	Tex. Admin. Code § 34 1-3.78
Utah	2.50%	Yes	6.2%	Utah Code §59-12-1201
Vermont	9%	No	6.0%	32 V.S.A. § 8903
Virginia	10% (4% rental tax, 4% local tax, 2% rental fee)	No	5.3%	V.A. Code Ann. § 58.1-1736
Washington	5.90%	Yes	6.5%	RCW 82 14-049
West Virginia	$1-$1.50/day	Yes	6.0%	W. Va. Code §17A-3-4
Wisconsin	5%	Yes	5.0%	Wis. Stat. § 77.995
Wyoming	4%	Yes	6.0%	Wyo. Stat. § 31-19-105(a)

Note: Excludes local rental car excise taxes and local sales taxes.

(a.) Delaware, Montana, New Hampshire, and Oregon do not levy state sales tax.

(b.) Connecticut's 9.35 percent sales tax levy is greater than the general state sales tax rate (6.35 percent).

(c.) Hawaii's statutory excise tax rate is 4.0 percent, but firms regularly charge 4.16 percent on consumers to recoup excise tax applied to excise tax.

(d.) Mississippi's 5.0 percent sales tax levy is lower than the general state sales tax rate (7.0 percent).

Source: State statutes and state departments of revenue.

Regulation / Transportation

Maryland's battle against Uber, Airbnb and Turo is battle against innovation

Originally published in the Baltimore Business Journal

Carol Park Jul 13, 2018 SHARE

What do Uber, Airbnb, and Turo have in common?

The three are pioneers in the so-called "sharing economy," producing technology to help some people share their homes and cars in return for payment and other people to use those cars and homes for cheap, convenient housing and transportation. This revolutionary technology has improved people's lives and grown the economy, yet the state of Maryland wants to obstruct it with regulations.

Over the years, Uber and Airbnb have fought multi-front battles to stay in Maryland. State legislators this year passed Senate Bill 743, making Maryland one of the first states to regulate peer-to-peer car sharing.

Founded in 2009, Turo is a car sharing smart phone app that connects people who need a car to people who have cars they are willing to rent out for short-term use. Customers use the app to pick a specific car, which comes with insurance, and then arrange a spot to pick it up.There are nearly 60,000 registered Turo users in Maryland and five million around the world. The average Turo customer pays just $45 a day to rent a car.

Turo, like Uber and Airbnb, is an example of free-market innovation that is efficient in part because it operates in an unregulated market: there are no barriers to entry, there are mutual exchanges of information, and the price of car rentals is set by the owners based on supply and demand.

Car sharing is a win-win for both consumers and suppliers. Turo rentals are around 35 percent cheaper than from traditional rentals as there are no leasing offices or maintenance costs. Car owners can earn an average of $500 a month from participating in Turo.

Around the country, traditional rental companies such as Enterprise Rent-A-Car are now waging war against Turo and the people who use it. They spent over $1.4 million in 2017 on lobbying for bills to restrict the operation of car-sharing startups or to impose regulations and taxes on their services.

From a business standpoint, this is understandable. After all, the explosion of rental services demonstrate that some customers were unhappy with the traditional rental services. Modernization in the industry was long overdue — people are still forced to wait in long lines at the counters and fill out forms after forms in order to rent some mediocre cars.

This is why Maryland legislators are mistaken in believing that regulating away the competition is a solution to the fast-changing reality.

If politicians elect to shield traditional rental companies from competition, the rental companies will continue to offer poor service at inflated prices. Historically, rental companies have enjoyed a cozy relationship with the government, including receiving several tax benefits.

In Maryland, the rental companies save more in sales tax exemptions than consumers pay in rental car taxes.

Such corporate welfare and political protectionism has a long history in Maryland, and it's now expanding to the sharing economy.

In 2017, Uber questioned the fairness of Maryland's regulation for screening its drivers and claimed that the same disqualified drivers would have been able to work in Virginia or Washington, D.C. Currently, the Baltimore City Council is considering a bill that would propose regulations on Airbnb to protect the hotel industry.

Among other things, Senate Bill 743 mandates a sales tax of up to 11.5 percent on car sharing services. It also stipulates that p2p car sharing companies operating at airports be subjected to airport fees. These new regulations add to other regulations and policies that make Maryland an unattractive state to start a business. With Maryland's corporate tax rates at 8.25 percent, compared to Virginia at just 6 percent, there is simply no room to further penalize companies that are trying to enter Maryland.

Despite Maryland's attempt to become a tech-friendly state by providing subsidies to Amazon and biotech companies, Senate Bill 743 is a clear indication that Maryland legislators simply do not understand what it takes to push modernization.

Instead of imposing onerous regulations that will choke innovation, kill competition, and limit consumer choice, the state should consider loosening the laws to end the monopolistic practices that the traditional rental companies have enjoyed for years. This would encourage the rental companies to invest in clever solutions to win over the customers in the new digital age.

Regardless of traditional companies' use of political and bureaucratic muscle to fight off competitors, markets will always choose a better option. Until Maryland accepts this, the state will always be one step behind others that are embracing change and welcoming innovation.

Carol Park is a Senior Policy Analyst at the Maryland Public Policy Institute.

The Maryland Public Policy Institute

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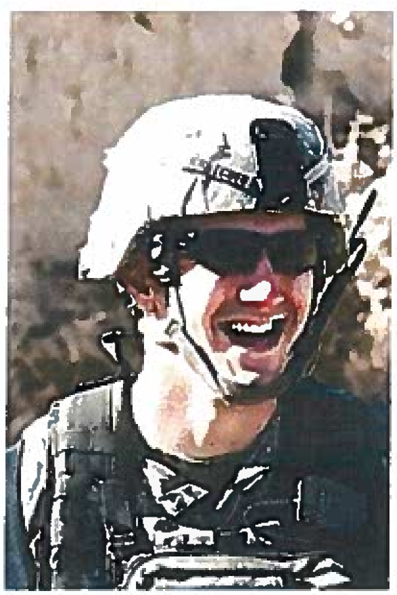
Car-sharing app users don't seek free ride

By: Guest Opinion March 19, 2019

OPINION

My name is Damon Crutcher and I'm a veteran of the U.S. Army. As a member of the 4th Infantry Division, I deployed to Iraq and Afghanistan twice. Since leaving the military, I've been back twice more as a security contractor for the State Department.

While deployed to Afghanistan last year, I tried a new car sharing app called Turo to help me earn a bit of extra cash by letting Phoenix-area Turo users drive my 2013 Toyota Tacoma while it was sitting idle at home. It was an easy way for me to make some money during a time in my life when I needed it – remember: car payments, rent and other everyday expenses don't go away for service members, security personnel and our families when we get deployed.



Damon Crutcher

Besides, my vehicle was collecting dust while I was overseas; placing it on Turo seemed like a no-brainer.

Imagine my surprise to hear opponents of Turo and similar car sharing apps say there's something wrong with what I did. They talk about Turo users like we're deadbeats, rattling off concerns about how car sharing may impact revenue to local governments or to build Cactus League stadiums.

Excuse me? I paid sales tax when I purchased the vehicle, plus Vehicle License Tax every year. Not to mention my truck is my personal property. If I want to supplement my income by letting someone else use my vehicle for a day or more that should be my decision.

Who would want to stand in the way of that? I'll tell you who: Enterprise.

Enterprise is the nation's largest car-rental company, a mega conglomerate spanning 9,000 locations and more than $24 billion in annual revenue, **according to Forbes**. You read that right – a $24 billion company is worried about competition from the likes of me.

Now, Enterprise is pulling out all the stops to kill car sharing in Arizona. They've enlisted lawmakers to write heavy-handed legislation (SB 1305) that would regulate car sharing apps like Turo out of existence.

Enterprise says I'm a rental car company and that Turo users like me don't pay our fair share. No, I'm just a guy with a truck who wanted to make a few extra bucks while I was posted overseas. In fact, 1 in 5 Arizona Turo users are active duty military or veterans just like me.

What Enterprise doesn't mention is the sweet deal that allows car rental companies in Arizona to purchase their vehicle fleets tax-free – a $24 million giveaway each and every year. Where do I sign up?

Those of us who use a car sharing app aren't asking for a free ride. We simply believe this is a new and unique industry worthy of its own set of regulations, just as Arizona has carved-out for ridesharing, short-term rentals and other aspects of the sharing economy.

HB 2559 strikes the right balance. This legislation establishes guidelines for public safety and insurance – every Turo user is covered by a $1 million liability policy – and ensures car sharing transactions are taxed appropriately. This way, municipalities, the Cactus League and the Arizona Sports & Tourism Authority receive their same share of revenue regardless of whether a vehicle is reserved via an Enterprise car-rental counter or Turo car sharing app.

The question for Arizona is whether our state is going to remain welcoming to sharing economy innovations or bend to the whim of a $24 billion company scared of a guy with a 2013 Toyota Tacoma.

Damon Crutcher, 30, is a veteran of the U.S. Army and security contractor for the U.S. Department of State. He lives in Gilbert.

TURO

Alaska fast facts

TURO

Alaska fast facts

27,000+
Days of car sharing

700+
Turo hosts

14,000+
Locals signed up for Turo

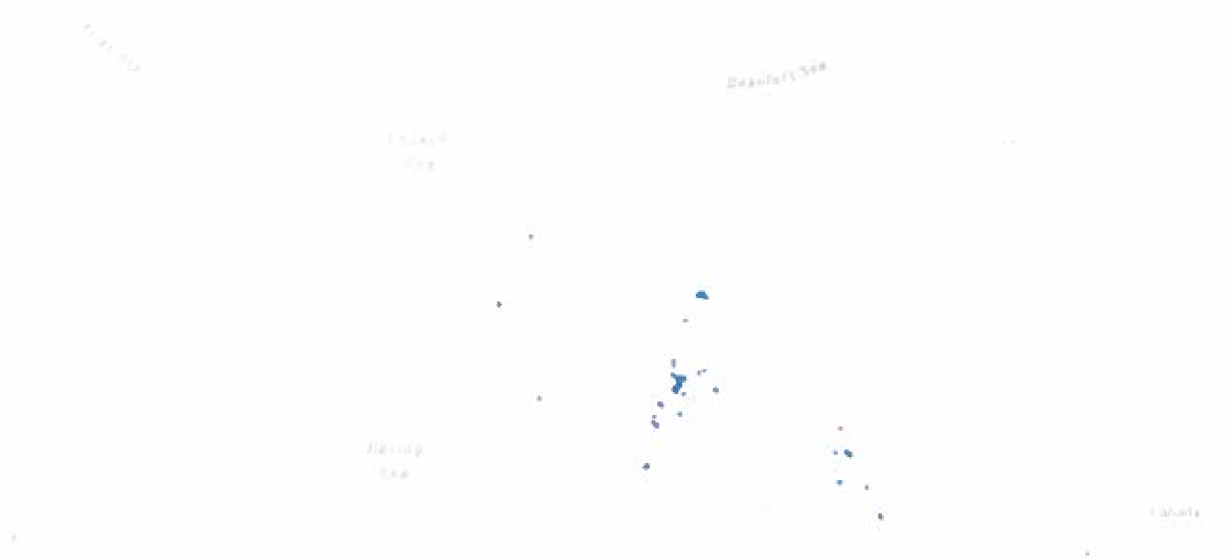
96%
Hosts who share two or fewer cars

3,000+
Out of state travelers using Turo

$300
Average host earnings per month

5.5 days
Average trip duration

75%
Of hosts use Turo to offset car payments, student loans, or make ends meet



● Cars listed on the Turo marketplace

A pioneer of the sharing economy and travel industry, Turo launched in 2009 boasting a safe, supportive peer-to-peer car sharing community.

WHAT TURO DOES

Creates a car sharing community where car owners can connect with travelers empowering hosts to recoup the cost of car ownership

SAFE & PROTECTED

$1 million liability insurance policy from our insurance partner, Liberty Mutual, and quick accident response and 24/7 roadside support

HOSTS & GUESTS

Hosts can share their personal vehicle on Turo and traveling guests can book those cars throughout the US, UK, Canada, and Germany

EXPERIENCE

Thousands of unique cars, affordably priced 35% cheaper than competing rental cars, shared in a community of friendly people who trust and respect each other

"As anyone who owns a car knows, they cost money to own, use and maintain. Being able to offload some of that burden to travelers looking for an alternative to rental cars is advantageous to both parties. I get to put the car that I don't use often to work for me."

MATT P.
Turo Host

116 New Montgomery St, Suite 700, San Francisco, CA   gr@turo.com   turo.com