

A Report to the Maryland General Assembly

Regarding

Peer-to-Peer Car Sharing Program
(Senate Bill 743, Chapter 852, Acts of 2018)

The Maryland Department of Transportation
Motor Vehicle Administration

MSAR #11778

January 2020

Peer-to-Peer Car Sharing Program (Senate Bill 743, Chapter 852, Acts of 2018)

This report is written in response to language contained in Senate Bill 743, Chapter 852, Acts of 2018, which calls on the Maryland Department of Transportation Motor Vehicle Administration (MDOT MVA) to:

- (i) *identify and compile information that could assist the General Assembly in determining a fair and equitable State taxation on sales and charges made in connection with a shared motor vehicle used for peer-to-peer car sharing and made available on a peer-to-peer car sharing program;*
- (ii) *in identifying and compiling information under item (i) of this item, consider:*
 - 1. *a comparison of excise titling taxes and other motor vehicle fees in the State:*
 - A. *relating to short-term vehicle rentals, including exemption from excise titling tax at the time of purchase of rental vehicles, reduced certificate of title fees at time of purchase of rental vehicles, reduced vehicle registration fees at time of purchase of rental vehicles, and reduced vehicle registration fees for biennial renewal of vehicle registrations; with*
 - B. *relating to peer-to-peer car sharing, including excise titling tax at the time of purchase of shared motor vehicles by shared vehicle owners, certificate of title fees at the time of purchase of shared motor vehicles by shared vehicle owners, vehicle registration fees at the time of purchase of shared motor vehicles by shared vehicle owners, and vehicle registration fees for biennial renewal of vehicle registrations;*
 - 2. *a comparison of excise titling taxes and other motor vehicle fees relating to short-term vehicle rentals and peer-to-peer car sharing in other states;*
 - 3. *a trend of the excise titling taxes and other motor vehicle fees collected by the Administration on short-term vehicle rentals in the State;*
 - 4. *any other information that the Administration determines relevant to identifying and compiling information that could assist the General Assembly in making the determination described in item (i) of this item; and*
- (iii) *report to the Senate Finance Committee and the House Economic Matters Committee, in accordance with § 2-1246 of the State Government Article, on its findings and any recommendations.*

Maryland Excise Titling Taxes and Other Motor Vehicle Fees

Select Maryland Motor Vehicle Fees				
Vehicle	2-year Registration Fee**	MD Excise Tax (Transportation Trust Fund)	Title Fee	MD Sales and Use Tax (General Fund)
Passenger Car (Class A) and Multi-Purpose Vehicle up to 3,700 lbs (Class M)	\$135	Greater of 6% of vehicle purchase cost or \$640	\$100	Not Applicable
Classes A and M over 3,700 lbs	\$187			
Trucks 7,000 lbs or less (Class E)	\$161.50			
Motorcycles/Low Speed (Class D)	\$104			
Shared Motor Vehicle - Peer-to-Peer, Classes A and M up to 3,700 lbs	\$135	Greater of 6% of vehicle purchase cost or \$640	\$100	8%
Shared Motor Vehicle - Peer-to-Peer, Classes A and M over 3,700 lbs*	\$187			
Short-Term Rental Vehicle, Classes A and M up to 3,700 lbs	\$88	Not Applicable	\$50	11.5%
Short-Term Rental Vehicle, Classes A and M over 3,700 lbs	\$115			
Short-Term Rental Vehicle, Class E 7,000 lbs or less	\$101.50			

*Classes F (tractor), G (trailer) not listed. Registration fees based on weight. Standard fees apply for shared motor vehicles; reduced fees apply for short-term rentals (see MD Code, Transportation, § 13-939.1)

**Includes \$17 Emergency Medical Services surcharge per year

Enumerated above are Maryland motor vehicle registration fees, excise taxes (purchase of a vehicle), title fees, and sales and use taxes for select vehicle classes. Standard motor vehicle classes included reflect those authorized for short-term rental, except that trucks over 7,000 lbs (class E), tractors (class F), and trailers (class G) have been excluded; registration fees for these vehicles, by statute, are divided into several weight classes and body styles.

Two-year registration fees for all vehicles eligible for short-term rental is at a reduced rate compared to standard registration fees. Eligibility for shared motor vehicle use is not limited to these vehicle classes, and standard registration fees apply.

Similarly, shared motor vehicles for peer-to-peer use are subject to standard Maryland excise tax, while short-term rental vehicles are exempt.

Both shared peer-to-peer and short-term rental vehicles are subject to sales and use tax, which is distributed to the General Fund, and is a cost typically passed on to the consumer, not paid by the rental or peer-to-peer car sharing company.

Interstate Comparisons:

General Taxes and Fees

According to the National Conference of State Legislatures (NCSL), Maryland has one of the highest state car rental taxes (11.5 percent) in the country,¹ surpassed only by Minnesota which assesses 14.2 percent. By contrast, the state of Alabama levies a rental car tax of just 1.5 percent.

It is notable, however, that some states permit local governments to levy their own car rental taxes (similar to hotel taxes) in addition to other fees, adding to the total cost of rental. NCSL advises that this is the case in at least 15 states. For example, while Illinois only has a 5 percent car rental tax, the city of Chicago levies an additional 9 percent personal property lease tax, and Chicago's Metropolitan Pier and Exposition Authority assesses an additional 6 percent excise tax². The total cost to the consumer, therefore, includes a 20 percent tax.

Peer-to-Peer Taxes and Fees

Information on states' tax structure for peer-to-peer car rentals is limited to those states in which peer-to-peer car sharing is regulated. California, Oregon, and Washington have been at the forefront of peer-to-peer car sharing with laws passed in 2010³, 2011⁴, and 2012⁵, respectively. In each of these states, the law requires the vehicle owner to be part of a program, such as Getaround, Turo, or other similar company that facilitates sharing private passenger vehicles for noncommercial use. In these cases, insurance coverage is required to be three times the standard minimum requirement for a private, personal vehicle, and revenue accrued cannot be greater than the annual expenses for the vehicle. Colorado and Ohio recently enacted laws requiring car sharing to be subject to airport concession fees similar to their traditional short-term rental car companies.

In addition to those states that have taken no action to regulate or enable peer-to-peer car sharing, and those that have passed laws enabling or impacting the practice of peer-to-peer car sharing, other jurisdictions, such as Pennsylvania and Washington, D.C., have taken steps relative to car sharing that did not involve enacting legislation. In 2017, Pennsylvania amended their tax reform code to add a car sharing fee of \$0.25 for less than two hours, and up to \$2 for four or more hours of rental.⁶

Washington, D.C. is promoting car sharing as a means to reduce local vehicle emissions and the number of cars parked on the street.⁷

¹ "Rental Car Taxes," Fiscal Policy, National Conference of State Legislatures, last modified August 30, 2019, <http://www.ncsl.org/research/fiscal-policy/rental-car-taxes.aspx>

² Garrett Watson, "Reforming Rental Car Excise Taxes," The Tax Foundation, Fiscal Fact No. 645 (March 2019): 4, <https://taxfoundation.org/reforming-rental-car-excise-taxes/>.

³ Private Passenger Motor Vehicle Insurance Coverage: Personal Vehicle Sharing, Chapter 454 (2010)

⁴ Relating to Personal Vehicle Sharing, Chapter 457, 76th Oregon Legislative Assembly (2011)

⁵ Personal Vehicle Sharing Programs, Chapter 108, 62nd Legislature (2012)

⁶ "Car Sharing Fee," Pennsylvania Department of Revenue, accessed November 1, 2019, https://www.revenue.pa.gov/GeneralTaxInformation/Tax%20Types%20and%20Information/Documents/car_sharing_qa.pdf

⁷ "Carsharing Frequently Asked Questions," District Department of Transportation, accessed November 20, 2019, <https://ddot.dc.gov/page/carsharing-frequently-asked-questions>.

Status of Peer-to-Peer Car Sharing Tax Proposals (as of October 25, 2019)⁸

State	Proposal	Status
Alaska	2019, HB 102 ⁹ proposed a change of definition of “rental car business” to “vehicle rental” and would have incorporated specific definitions of “vehicle rental network” among other items.	Bill held, existing statute is enforced.
Arizona	SB 1305 ¹⁰ applies 5% rental car tax to car sharing firms, HB 2559 ¹¹ creates a separate regulatory and tax structure for peer-to-peer car sharing firms	Did not pass.
Colorado	Extends airport concession fees to car sharing firms, SB 19-090 ¹²	Passed and signed into law.
Florida	Defines peer-to-peer car sharing as a car rental, SB 1148 ¹³	Indefinitely postponed and withdrawn from consideration.
Hawaii	N/A	Treats car sharing and car rentals the same for tax purposes
Minnesota	Exempts car-sharing firms from rental car tax, HF 1357 ¹⁴	Bill pending.
New Mexico	Repeals the 5% leased vehicle surcharge, requires concession fee agreements with airports, SB 556 ¹⁵	Bill failed after being postponed indefinitely.
Ohio	Assesses sales tax and relevant airport concession fees (negotiated by airports) on peer-to-peer car sharing firms, HB 62 ¹⁶	Bill became law. Effective 7/3/19, 7/1/20 depending on provision.
Texas	Requires peer-to-peer car sharing firms to pay rental car excise taxes HB 2872 ¹⁷	Bill pending.
Utah	Requires peer-to-peer car sharing firms to pay rental car excise taxes SB 190 ¹⁸	Bill failed.
West Virginia	Requests a study on the feasibility of peer-to-peer car sharing regulations (no mention of tax) HCR 108 ¹⁹	Enacted in March 2019.

⁸ Watson, “Reforming Rental Car Excise Taxes,” 10.

⁹ H.B. 102, 31st Legislature, 2019-2020, (Alaska, 2019)

¹⁰ SB 1305, 54th Legislature, First Regular Session (Arizona 2019)

¹¹ HB 2559, 54th Legislature, First Regular Session (Arizona 2019)

¹² SB 19-090, 72nd General Assembly, 2019 Regular Session (Colorado 2019)

¹³ SB 1148, 2018-2020 Senate, 2019 Session (Florida, 2019)

¹⁴ SF 1655, 91st Legislature, 2019-2020 Session (Minnesota 2019)

¹⁵ SB 556, 54th Legislature, 2019 Regular Session (New Mexico 2019)

¹⁶ HB 62, 133rd General Assembly, 2019 Session (Ohio, 2019)

¹⁷ HB 2872, 86th Legislature, 2019-2020 (Texas 2019)

¹⁸ SB 190, 63rd Legislature, 2019 General Session (Utah 2019)

¹⁹ HCR 108, 84th Legislature, 2019 Regular Session (West Virginia 2019)

Conclusion:

Through this extensive review of the available literature, MDOT MVA notes the wide range of state actions on peer-to-peer car sharing and does not observe a universal industry standard regarding the assessment of state taxes on peer-to-peer car sharing transactions.