

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Enrolled - Revised

Senate Bill 573

(Senators McCray and Beidle)

Budget and Taxation

Ways and Means

Peer-to-Peer Car Sharing – Sales Tax Sunset Extension and Study

This bill extends the termination date of the State sales and use tax rate of 8% imposed on peer-to-peer car sharing established by Chapter 852 of 2018 from June 30, 2020, to June 30, 2021. The bill requires the Department of Legislative Services (DLS) to report the results of a specified study of excise titling taxes, motor vehicle fees, income taxes, and sales taxes relating to short-term vehicle rentals and peer-to-peer car sharing in Maryland and other states to the General Assembly by December 31, 2020. **The bill takes effect June 1, 2020.**

Fiscal Summary

State Effect: General fund revenues from the 8% sales and use tax rate on peer-to-peer car sharing will continue through FY 2021. As a result, general fund revenues increase by \$107,500 in FY 2021. DLS can handle the bill’s reporting requirements with existing budgeted resources.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	\$107,500	\$0	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	\$107,500	\$0	\$0	\$0	\$0

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: DLS must report on:

- a comparison of excise titling taxes and other motor vehicle fees in the State relating to short-term vehicle rentals and peer-to-peer car sharing;
- 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;
- a comparison of taxation and other governmental fees in the State relating to short-term vehicle rental companies and peer-to-peer car sharing companies, including with regard to income tax and sales tax;
- a comparison of sales taxes imposed in other states on short-term vehicle rentals and on peer-to-peer car sharing;
- a comparison of taxation and other governmental fees relating to short-term vehicle rentals and peer-to-peer car sharing in other states; and
- any other information that DLS determines relevant to the identification and compilation of 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.

Current Law: Chapter 852 of 2018 established a regulatory framework for peer-to-peer car sharing in the State, including insurance requirements. The legislation established a sales and use tax rate of 8% for 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. This provision terminates June 30, 2020. Chapter 735 of 2019 specified that if this provision terminates, peer-to-peer car sharing programs will be considered marketplace facilitators and thereby responsible for collecting and remitting the 6% State sales and use tax, beginning July 1, 2020.

Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$5.0 billion in fiscal 2020 and 2021, according to the December 2019 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 1
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0.0%
District of Columbia	6.0%; 10.0% for liquor sold for on-the-premises consumption and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified rental vehicles; and 8.0% for specified soft drinks
Maryland	6.0% 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 2.5% for eligible food items; 2.5% for specified essential personal hygiene items; both rates include 1.0% for local jurisdictions
West Virginia	6.0% plus 0.5% (in one municipality) or 1.0% (in 45 municipalities)

*An additional state tax of 0.7% is imposed in localities in Northern Virginia and the Hampton Roads region, and an additional 1.7% is imposed in localities in the Historic Triangle.

Peer-to-peer Car Sharing

Peer-to-peer car sharing programs, such as Turo and Getaround, are becoming more popular in the State as alternatives to traditional vehicle rentals from companies like Enterprise and Hertz. Similar to how Airbnb allows a person to rent his or her home directly to customers using the Airbnb program, personal vehicle rental programs allow a vehicle owner to rent his or her private vehicle to another person through an online financial transaction. In some cases, the renter may pick up the vehicle directly from the owner's home, while in others, both parties may arrange another location to pick up and drop off the vehicle. The financial transaction takes place between the vehicle owner and the renter with the personal vehicle rental program acting as a broker, which guarantees some level of protection for, and good faith between, the vehicle owner and the renter.

State Fiscal Effect: The State collected \$414,000 in sales taxes from peer-to-peer car sharing in fiscal 2019 and is projected to collect \$430,000 in fiscal 2021. Revenues from the tax rate of 8% will continue through fiscal 2021. As a result, general fund revenues will increase by \$107,500 in fiscal 2021, which reflects the additional revenue from the higher

sales tax rate. Pursuant to the bill, the sales tax rate on peer-to-peer car sharing will decline from 8% to 6% beginning in fiscal 2022.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 841 (Delegate Chang) - Ways and Means.

Information Source(s): Comptroller's Office; Maryland Department of Transportation; Public Service Commission; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2020
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