

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 825

(Senator McCray)

Budget and Taxation

Sales and Use Tax - Peer-to-Peer Car Sharing - Sunset Repeal and Rate Alteration

This bill repeals the termination date of the State sales and use tax imposed on peer-to-peer car sharing established by Chapter 852 of 2018. In addition, the bill repeals the 8% sales and use tax rate applicable to peer-to-peer car sharing transactions and instead imposes a 6% sales and use tax rate on these transactions. **The bill takes effect June 1, 2020, except that the new sales and use tax rate takes effect July 1, 2020.**

Fiscal Summary

State Effect: None. The bill clarifies current law with regard to the taxation of peer-to-peer car sharing transactions. Under current law, the State will begin to impose a 6% sales and use tax on these transactions beginning July 1, 2020.

Local Effect: None.

Small Business Effect: None.

Analysis

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.

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.

The Comptroller reports that approximately \$414,000 in sales and use taxes from peer-to-peer car sharing was collected in fiscal 2019.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1170 (Delegate Kaiser) - Ways and Means.

Information Source(s): Comptroller's Office; Maryland Department of Transportation; Maryland Insurance Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 18, 2020
mm/hlb

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