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Bipartisan Coalition Calls on Virginia General Assembly to Avoid the Loss of Important Tax Revenue by Requiring Peer-to-Peer Vehicle Rentals to Pay Their Fair Share

Richmond, Va. – Feb. 3, 2020 – A coalition of bipartisan lawmakers, the Virginia Municipal League, the American Car Rental Association and Virginia vehicle rental operators are calling on the Virginia General Assembly to “Care Before You Share” in response to the rise of peer-to-peer vehicle sharing companies currently facilitating rental transactions without paying taxes.

According to the Virginia Department of Taxation, peer-to-peer vehicle rentals are subject to a 10 percent tax rate – just like any other vehicle rentals – under Virginia’s Motor Vehicle Rental Tax (MVRT) statutes.

In fact, the Virginia Department of Taxation’s Fiscal Impact Statement, submitted alongside the proposed legislation, states the following: “Both peer-to-peer shared vehicles and commercially owned rental vehicles are currently subject to the full 10 percent Motor Vehicle Rental Taxes. However, compliance within the peer-to-peer rental industry is extremely low.” [SB 749]

“Unfair to the Commonwealth”

Michelle Gowdy, Executive Director of the Virginia Municipal League, said, “The Virginia Municipal League’s position is that it is incredibly unfair to ask the residents of the Commonwealth to subsidize essential services because there are peer-to-peer vehicle rental companies who are opting out of paying their fair share.”

In Fiscal Year 2019, the Virginia Department of Taxation reported that the total tax revenue from the MVRT imposed at a 10 percent rate was $111,047,462 and that the revenue collected from the MVRT was distributed in the following manner:

- $46,756,228 to Virginia local governments
- $23,333,228 to the General Fund for STARS debt service
- $42,537,359 for Transportation
  - $21,262,666 to Rail Enhancement Fund
  - $10,629,867 to Transportation Trust Fund
  - $9,685,833 to WMATA Capital Fund
  - $958,993 to Highway Construction Fund

To preserve this important revenue stream generated by businesses paying taxes, the “Care Before You Share” coalition supports HB 891 and HB 892 sponsored by Delegate Mark Sickles – and SB749 and SB750 sponsored by Senator John Cosgrove.

This proposed bipartisan legislation will clarify that under existing Virginia law, the peer-to-peer company – not vehicle owners or “hosts” – is responsible for collecting and remitting all appropriate rental taxes. As a result, all vehicle rentals would be treated the same, taxed at a 10 percent rate and thereby help fund essential services for local and state governments.
“Valuable Tax Revenue Would Be Lost”

In contrast, both SB 735 and HB 1539 would instead impose a completely NEW tax on peer-to-peer vehicle rentals: SB 735 would impose a NEW tax on peer-to-peer vehicle rentals at 4 percent and HB 1539 would impose a NEW tax on peer-to-peer vehicle rentals at 6 percent.

The Virginia Municipal League estimates that, if peer-to-peer rentals replace 10 percent of current vehicle rentals, valuable tax revenue would be lost. In that scenario, if peer-to-peer vehicle rental companies fail to collect tax on vehicle rentals, over $11 million would be lost. If this same revenue is taxed under SB 735, approximately $6.7 million would be lost. If this revenue is taxed under HB 1539, approximately $4.44 million would be lost.

“Care Before Your Share” coalition members are asking the Virginia General Assembly to stop the loss in important tax revenue by governing all consumer transactions, including peer-to-peer vehicle rentals, in a fair and consistent way.

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