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Bipartisan Coalition Calls on Virginia General Assembly to Pass Legislation that Solves Critical Tax Collection Issues Caused by Peer-to-Peer Vehicle Rental Platforms

Richmond, Va. – Jan. 22, 2020 – A coalition of bipartisan lawmakers, the Virginia Municipal League, the American Car Rental Association and Virginia car rental operators are calling on the Virginia General Assembly to “Care Before You Share.” The coalition has come together in response to the rise of peer-to-peer vehicle-sharing companies currently facilitating rental transactions without paying taxes.

Today, under Virginia’s Motor Vehicle Rental Tax statutes (§ 58.1-1735 et seq.), peer-to-peer vehicle rentals are subject to a 10% tax rate just like vehicle rentals through traditional car rental companies. “In reality, very few—if any—owners are fulfilling this requirement throughout the Commonwealth. As a result, they have created a tax collection problem,” said Michelle Gowdy, Executive Director of the Virginia Municipal League.

To address this growing concern, the coalition SUPPORTS HB 891 and HB 892 sponsored by Delegate Mark Sickles, and SB749 and SB750 sponsored by Sen. John Cosgrove. This proposed bipartisan legislation will clarify that, under existing Virginia law, the platform – not vehicle owners or “hosts” – is responsible for collecting and remitting all appropriate rental taxes.

“This legislation will not raise taxes and instead will resolve a critical tax collection issue throughout the Commonwealth. The bill will require peer-to-peer vehicle rental companies to collect and remit state and local taxes, the same taxes as other vehicle rental companies currently operating in Virginia must collect and remit, and in doing so, preserve essential state and local tax revenues in an equal fashion,” said Gowdy.

Fiscal Impact Statement

According to the Virginia Dept. of Taxation’s Fiscal Impact Statement, while “both peer-to-peer shared vehicles and commercially owned rental vehicles are currently subject to the full ten percent Motor Vehicle Rental Taxes ... compliance within the peer-to-peer rental industry is extremely low.”

In fact, the Virginia General Assembly recently addressed this growing “tax collection” concern for online retail sales by passing the 2019 Retail Sales Tax Marketplace Facilitator Law (Virginia Code § 58.1-612.1, Chapters 815, 816, and 854, 2019 Acts of Assembly). The proposed legislation directly clarifies that the 2019 Retail Sales Tax Marketplace Facilitator Law applies to peer-to-peer vehicle rental platforms.
Fair and Competitive

“State government plays an important role in fostering a fair and competitive environment for the benefit of consumers, including their safety and use of taxpayer dollars,” said Jim East, vice president of government relations for Hertz Corporation. “Today, peer-to-peer companies use taxpayer-funded facilities without contributing to the infrastructure. Consumers benefit most when we all contribute our fair share.”

In 2019, the Motor Vehicle Rental Tax raised over $111 million in overall funding. Of this amount, Virginia localities received $46.7 million, which was used to fund schools, police and other local essential services. This tax revenue was also used to support overall transportation funding, such as rail enhancement, highway construction and capital funding for WMATA.

“Care Before You Share” coalition members agree with the American Car Rental Association that all consumer transactions, including peer-to-peer vehicle rentals, should be governed in a fair and consistent way. The proposed legislation is a common-sense solution for how rental car operations are defined and regulated in Virginia in a safe, smart and caring fashion.

“Our goal is for the legislature to apply basic fairness, where all rental transactions are subject to the same standards,” said Mike Bruce, vice president and general manager of Enterprise Holdings in Virginia.

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Other comments and feedback about peer-to-peer vehicle rental transactions:

"... For taxation purposes, treat peer-to-peer vehicles like other motor vehicle rentals in the Commonwealth of Virginia.”
Virginia Transit Association

"While reducing or eliminating rental car taxes would be the ideal solution, if that’s not achievable, lawmakers should reform rental car taxes to focus on the use and service at issue.”
R Street Institute: “3 Paths Forward for Rental Car Taxes”

“Recently, a number of airport authorities and city and county government agencies have taken formal and informal steps – from litigation to cease-and-desist orders – to require P2P car rental companies to comply with state and local tax laws and policies for companies that rent cars at airports.”
American Car Rental Association (ACRA) Peer-to-Peer Car Rental Timeline

“... App-based car rental companies such as Turo insist on operating on airport premises without paying concession fees, even though their businesses directly contribute to airport congestion and resulting expenses.”
Taxpayers Protection Alliance
“I question whether rental car taxes should exist, but if they are going to exist, they should be applied equally and in a revenue-neutral fashion.”
Show-Me Institute: “Is Turo a ‘Motor Vehicle Leasing Company?’”

"Thankfully, there’s a straightforward policy solution to the problem of uneven or ambiguous airport access rules and fees: Airport authorities can work to balance the competing interests of new and traditional companies by adopting an open posture toward new types of rental firms and ensuring that the fees and rules for each firm seeking to access airport property are consistent and equitable.”
R Street Institute: “Better Managed Airport Car Rental Access Could Ease Holiday Travel”

“The goal should be to adopt an open posture for new market entrants, while at the same time requiring that all transportation companies who seek to access airport property and serve travelers are subject to the same transparent rules and fees.”
R Street Institute: “R Sheet on Airport Rental Car Access”

“A taxation system that is based on the service at issue rather than other factors will help ensure mode neutrality for transportation and an equal playing field in the marketplace.”
R Street Institute: “R Sheet on Rental Car Taxes”

“... the canons of statutory construction require that the terms of such remedial statutes be read broadly, so that consumers will benefit from these protections regardless of whether they happen to rent a car on Turo’s website or on, say, Avis’s website.”
City and County of San Francisco

"Allowing certain businesses to avoid paying taxes is essentially picking winners and losers, which creates a very real threat to maintaining and promoting one of our greatest economic drivers: tourism."
Arizona Tourism & Lodging Association

"Because peer-to-peer operators are entering into commercial car rental transactions, they must be held to the same consumer protection standards as any other car rental or car-sharing service."
National Consumers League

“This legislation is a common-sense solution for how we define and regulate rental car operations in Pennsylvania. It will bring all types of vehicle rental platforms under the same standards to ensure consumer protection, while still allowing the industry to continue to grow and innovate.”
Sen. Pat Stefano (R-32), Pennsylvania

“My objective in working through this issue was two-fold. To establish clear standards for insurance coverage in these three-party transactions, and to ensure all peer-to-peer platforms that receive the end customer’s money are paying applicable state taxes as the facilitating vendor.”
Ohio House Majority Leader Bill Seitz (R-30)