

Why Congress Should Protect Consumers from Having to Pay New ‘Special Taxes’ on Car Rentals

Have you ever rented a car at what you thought would be a great rate of \$35 per day – but your bill wound up closer to \$45 a day? Part of that increase was due to special taxes imposed by state and local governments. These taxes come on top of the broad-based state and local taxes already imposed on transactions in that area.

Since 1990, more than 115 special rental car taxes have been enacted in 43 states and the District of Columbia. Now, new and streamlined legislation -- the End Discriminatory State Taxes on Automobile Renters Act (EDSTAR) -- is being introduced in Congress to prohibit state and local governments from imposing new special taxes on car rentals.

The case for national action is clear and compelling: These special taxes aimed solely at rental car customers are discriminatory and have serious unintended consequences for our economy.

Special Taxes are Discriminatory and Deceptive

These taxes are discriminatory because they are only imposed on rental car consumers, not on other transactions. While these taxes supposedly target wealthy business travelers, most rental car customers rent cars as individuals. Some are renting to replace their own car while it is repaired or because they don't own a car at all. In fact, for one major rental car company – Enterprise – more than 50 percent of its rental business takes place at off-airport locations.

Many communities use these taxes as a source of revenue to build expensive stadiums and ballparks. Whatever the merits of these projects, they should be paid for by local communities or team owners, not by special fees targeted at rental car customers.

What this Streamlined Law Will and Won't Do

As the streamlined new bill makes clear, it will only prohibit state and local governments from enacting future discriminatory car rental taxes. Existing taxes will be grandfathered. EDSTAR will not affect any of the 115 existing rental car taxes or the projects that they fund.

Special Taxes Hurt the Entire Economy, Especially the Auto and Travel Industries

These taxes make it costlier to rent cars and travel. This suppresses demand for rental cars, for air travel, and for rooms at hotels, motels and resorts, resulting in fewer job opportunities in the rental car, air travel and hospitality industries.

Reduced demand for rental cars also results in reduced purchases of new cars by the rental car companies that ordinarily account for 1.2 million – or about 10 percent of all vehicle sales in this country. In fact, rental car companies are the largest purchasers of vehicles made by Detroit's Big Three auto companies. New

special taxes on car rentals would wipe out American auto workers' jobs at a time when the industry is struggling to survive the economic downturn.

Special Taxes Hit Hard at the Americans Least Able to Pay

These taxes have a proportionately greater impact on people of modest means than on the wealthy, many of whom are reimbursed for a business expense. According to a study conducted by the respected economic consulting firm, the Brattle Group of Boston, households earning less than \$50,000 a year pay 41% of all car rental taxes.

Minorities are Affected Disproportionately

Minorities are 75% more likely to rent cars than non-Hispanic whites, according to the Brattle Group study. African Americans generate 26 percent of rental car revenues and pay 27 percent of the excise taxes, despite the fact that they account for only about 12 percent of the population. Hispanics account for another 12 percent of all excise taxes paid on car rentals.

Special Taxes Raise Insurance Rates for Every Motorist

Because car rental taxes raise the costs of "replacement transportation," they make auto insurance premiums go up. These costs are in turn passed on to auto policy holders across the US, whether they've ever rented a car.

Widespread Support for Stopping New Special Taxes on Car Rentals

These reasons explain the widespread and diverse support for legislation protecting consumers from new special taxes on car rentals. Supporters include Ford, Chrysler, General Motors, the United Auto Workers, the National Urban League, the National Consumers League, Grover Norquist's Americans for Tax Reform, the National Association of Minority Automobile Dealers, the American Society for Travel Agents and the National Business Travel Association.

A National Problem Requires Congressional Action

Congress needs to act now because it is the only lawmaking body in the US with the authority to make policy that protects all citizens from this bad tax policy. Prohibiting discriminatory taxation that burdens interstate commerce is a valid use of Congressional power under the Commerce Clause. In the past, Congress has prevented states and local jurisdictions from imposing discriminatory taxes on buses, railroads and airlines that transport people across state lines. Car rental companies provide services similar to these modes of transportation.

Now is the time for Congress to prevent new special taxes on car rentals and do what is right for federalism, for fairness and for families who are anxious about making their livings and making ends meet.

Excise Tax Outreach Efforts in 111th Congress

H.R. 4175 was submitted on December 2, 2009 by Rep. Rick Boucher (D-VA-09) and Rep. Todd Akin (R-MO-02).

Co-sponsors included Rep. Dan Boren (D-OK-02), Rep. Russ Carnahan (D-MO-03), Rep. John Carter (R-TX-31), Rep. William Lacy Clay (D-MO-01), Rep. Steve Cohen (D-TN-09), Rep. Keith Ellison (D-MN-05), Rep. Sam Graves (R-MO-06), Rep. Steve Israel (D-NY-02), Rep. Darrell Issa (R-CA-49), Rep. Jim Jordan (R-OH-04), Rep. John Sullivan (R-OK-01) and Rep. Joe Wilson (R-SC-02).

Hearing held in House Judiciary Subcommittee on Commercial and Administrative Law on June 15, 2010.

Advocacy Meetings in the House of Representatives

* - indicates Member meetings

Democrats (31)

Braley (IA-01)
Israel (NY-02) *
Hoyer (MD-05)
Clyburn (SC-06)
Linda Sanchez (CA-39) *
Sutton (OH-13)
Clay (MO-01) *
Dingell (MI-15) *
Lofgren (CA-16) *
Boucher (VA-09) *
Boren (OK-02) *
Conyers (MI-14) *
Carnahan (MO-03) *
Cohen (TN-09) *
Johnson (GA-04) *
Maffei (NY-25) *

Pallone (NJ-06)
Cleaver (MO-05)
Walz (MN-01) *
Scott (VA-03) *
Delahunt (MA-10)
Baldwin (WI-02) *
Schiff (CA-29)
Sherman (CA-27) *
Pierluisi (PR)
Gonzalez (TX-20) *
Berman (CA-28)
Chu (CA-32) *
Matsui (CA-05)
Butterfield (NC-01)
Christensen (VI)

Republicans (23)

Franks (AZ-02) *
Akin (MO-02) *
Cantor (VA-07)
Boehner (OH-08)
Graves (MO-06)
Jordan (OH-04)
Issa (CA-49)
Rooney (FL-16) *
Coble (NC-06) *

Smith (TX-21) *
Goodlatte (VA-06)
Bilirakis (FL-09) *
Lungren (CA-03)
Gohmert (TX-01)
Blunt (MO-07)
King (IA-05)
Chaffetz (UT-03)
Poe (TX-02)

Advocacy Meetings in the Senate

** - indicates Member meetings*

Democrats (9)

Landrieu (LA) *

Stabenow (MI) *

Hagan (NC)

McCaskill (MO) *

Lincoln (AR)

Feinstein (CA)

Nelson (FL)

Baucus (MT)

Wyden (OR)

Republicans (6)

Ensign (NV)

Cornyn (TX)

Roberts (KS)

Hutchison (TX)

DeMint (SC)

Inhofe (OK) *

DRAFT

Proposed legislation for the 112th Congress- January 5, 2011

The End Discriminatory State Taxes for Automobile Renters Act of 2011:

A State or political subdivision thereof may not collect or levy a tax, fee, or other charge on the rental of motor vehicles (as defined in section 13102(16) of title 49 of the United States Code) unless:

(a) the tax, fee, or other charge is generally imposed on sales or rentals of tangible personal property by that jurisdiction; or

(b) the tax, fee, or other charge was generally imposed and actually enforced on [insert date].

(c) The terms “tax”, “fee”, or “other charge” do not include any charge imposed by a State or Locality with respect to a concession agreement or consolidated facility charge at a federally assisted airport (provided the agreement does not violate the revenue diversion provisions of section 40116(d) of title 49 of the United States Code.