CHAMBER OF PROGRESS

November 15, 2021

Senator Adam Hinds
Chair
Joint Committee on Revenue
General Court of the Commonwealth of Massachusetts

Representative Mark Cusack
Chair
Joint Committee on Revenue
General Court of the Commonwealth of Massachusetts

H.2976 Will Close Tax Loopholes that Costs MA $112M Annually, Protects Big Rental Companies at Consumers' Expense

Dear Senator Hinds and Representative Cusack:

As a center-left tech industry coalition, the Chamber of Progress urges your committee to **support H. 2976**, a bill that would close the current preferential sales tax loophole enjoyed by corporate rental car companies when they purchase a vehicle. Closing this loophole will increase state tax revenue by an estimated $100 million annually.

Our organization works to ensure that all Americans benefit from technological leaps, and that the tech industry operates responsibly and fairly. We are committed to working towards a progressive society, economy, and workforce. For example, we strongly support legislation to protect voting rights; supported President Biden's proposed corporate tax increase to fund infrastructure investments; and back a national emissions reduction target of 50% by 2030.

H. 2976 would restore traditional sales tax policy toward rental cars. Currently, rental car companies nationwide legally evade billions in taxes every year using the "sale for resale exemption." While businesses that purchase items purely for resale don't pay sales tax, rental car companies actually use the vehicle during their normal course of their business -- just as a business would pay tax on a computer or office supplies they actually used. In a recent lawsuit in Oregon,[1] a court ruled that a rental car company owed sales taxes on the purchase of their vehicles because the purchase and subsequent rental to generate profit (while retaining title), did not qualify under the sale for resale tax exemption.

Importantly, Massachusetts' sales tax exemption was never approved by the state legislature, but rather implemented through an administrative rule (830 CMR 64H.25.1(7)(1)(a)). H.2976 closes this loophole and restores the legislature's authority to properly regulate the collection of taxes on the purchase of vehicles by rental car companies.

[1] EAN HOLDINGS, LLC, v. DEPARTMENT OF REVENUE, State of Oregon

H. 2976 would raise state tax revenue by $100 million annually, helping fund critical state needs. A recent study by NetChoice found that the current sales tax exemption for rental cars is costing the state $111.8 million in annual tax revenue[2]. This is revenue that can help fund critical needs in the commonwealth such as health care, education, housing, economic development, and infrastructure.

H. 2976 would address record high rental car prices in Massachusetts, at a time when rental companies are seeing record profits. Rental car companies sold thousands of vehicles in anticipation of projected profit losses from lack of travel during the pandemic. These companies created a major car shortage by selling about one third of the nation's rental car fleet, allowing them to price gouge consumers looking for transportation. For example, one newlywed Bay State couple saw prices in rental cars triple while booking a car for their honeymoon.[3] This is not pro-consumer behavior that should be rewarded with a tax break.

By purchasing tax-free products and renting them out, big rental companies are not only able to skirt by sales tax, but they're also able to increase their profits significantly.[4] Studies show companies like Hertz, Avis, and Enterprise benefit exponentially from these tax exemptions set by states, costing taxpayers $3.5 billion per year and giving these companies an unfair fiscal advantage over their taxed peer-to-peer competitors.[5][6] The passage of H. 2976 will end these unfair tax breaks and high profits that big rental car companies thrive on.

H. 2976 would set fair tax laws that no longer punish car owners for their entrepreneurship. Peer-to-peer car sharing encourages more efficient utilization of privately owned vehicles, which discourages unnecessary car ownership. It facilitates more livable cities, with less street space devoted to vehicle parking; allows city residents short-term use of a vehicle for errands, making their lives easier; and allows car owners to earn extra income by sharing their vehicle. However, car owners receive no sales-tax exemption and are responsible for their own license and registration fees, even though they rent their car to consumers, much like big rental companies. With all of the benefits peer-to-peer car sharing brings, why should Massachusetts car owners be required to pay the 6.25% state sales tax on their vehicles, while big rental companies pay nothing?[7] Massachusetts should implement H.2976 and make big corporations pay their fair share, not punish local car owners.

[2] Big Rentals' Rules of the Road: Tax Loopholes & Sneaky Subsidies, p. 9 (Nov. 2021), http://netchoice.org/wp-content/uploads/2020-NetChoice-Policy-Note-Big-Rental-Subsidies.pdf.

[3] Ben Simmoneau, Massachusetts couple told honeymoon rental car will triple in price due to shortage, (Nov. 2021) https://www.wcvb.com/article/ben-has-your-back-rental-car-shortage-massachusetts-couple/36525567.

[4] Kristen Korosec, The Station: Nuro Scoops Up New Investors, Rivian Gets Sued and Ride-Hailing inches toward profitability, (Nov. 2021) https://techcrunch.com/2021/11/08/the-station-nuro-scoops-up-new-investors-rivian-gets-sued-and-ride-hailing-inches-towards-profitability/.

[5] Big Rental's Rules of the Road: Tax Loopholes & Sneaky Subsidies, p. 2 (Nov. 2021), http://netchoice.org/wp-content/uploads/2020-NetChoice-Policy-Note-Big-Rental-Subsidies.pdf.

[6] *Id.* 3

[7] *Id.* 9

	MA Current Law		H. 2976 (Proposed)	
	Daily Booking Surcharge?	**Pay Sales Tax on Car Purchase?**	**Daily Booking Surcharge?**	**Pay Sales Tax on Car Purchase?**
Traditional Rental Cars	Yes	No	Yes	Yes
Peer to Peer Carsharing	Yes	Yes	Yes	Yes

On behalf of consumers and in hopes of encouraging a healthy, competitive rental market, we ask your committee to support H. 2976. We believe this legislation will close an important tax loophole, raise critical revenue, and hold big corporations to the same tax standards as peer-to-peer car sharing hosts.

Sincerely,

Montana Williams
Director of State & Local Public Policy