

Committee on Taxation
Maine State House
Augusta, ME 04333



Dear Chair Grohoski and Members of the Committee,

My name is Pat Garofalo, and I am the director of state and local policy at the American Economic Liberties Project, a research and advocacy organization dedicated to reducing the power corporations wield over our economy and democracy, in pursuit of economic liberty for all. I am also the author of a book titled “The Billionaire Boondoggle,” which examines how states use and abuse corporate tax subsidies.

I am here to voice our strong support for LD 2198, an act to remove the exemption from sales and use tax for automobiles purchased for use as rentals.

The exemption for rental car companies is, in my view, an unjustifiable subsidy for dominant, entrenched members of a highly concentrated industry. Specifically, there are three issues that this rental corporation subsidy causes.

The first is that it violates the principle of simple fairness: Car rental corporations avoid the taxes every car buyer pays on the front end, in favor of one that renters pay. The rental car corporations argue they should be exempt from sales tax because their cars are “business inputs,” or because they aren’t the actual end users of the product in question. But they’re perfectly free to take normal business deductions on car purchases, and they do; they also receive an exemption for themselves that no other car purchaser receives.

The second is that this subsidy harms taxpayers. Revenue in the U.S. lost to exemptions for rental car corporations totals more than \$3.5 billion, including \$10 million annually here in

Maine.¹ That's significant money that could be put toward state needs, but instead subsidizes the car rental industry's purchases of its main business asset, without which its members literally do not have a business, and at a time during which the industry is making record-high revenues.²

Third and finally, as mentioned, the car rental industry is very consolidated, and tax subsidies entrench both its economic and political power. Currently, just three corporations — Enterprise, Hertz, and Avis — hold 95 percent of the car rental market at airport terminals.³ You may think you're renting from other corporations, but you're just patronizing different brands from the big three: Enterprise owns Alamo and National, Avis owns Budget, Payless and Zipcar, and Hertz owns Thrifty and Dollar, for example.⁴

These companies, as we've seen in other industries across the country, don't want competition now that they've successfully consolidated. So they've been fighting to preserve their own tax subsidies while lobbying state legislatures to apply excise taxes to rentals at competitors, including car-sharing companies, such as the excise tax applied in Maine — which is all well and good, except the people who share cars on those platforms paid the sales taxes that the rental car corporations avoid.⁵ So it's "tax thee and not me," in order to maintain the big three's dominance.

¹ "Big Rental's Rules of the Road: Tax Loopholes & Sneaky Subsidies," Netchoice, April 2020

<https://netchoice.org/wp-content/uploads/2020/04/Turo-VLF-v.3.pdf>

² Romjue, Martin, "Annual U.S. Car Rental Revenue Tops Itself Again at \$38.3 Billion," Auto Rental News, Dec. 18, 2023 <https://www.autorentalnews.com/10212500/annual-u-s-car-rental-revenue-tops-itself-again-for-2023-at-38-3-billion>

³ Rosenbaum, Eric, "Hertz deal isn't just tipping point for Tesla and EVs, but car rentals in climate change era," CNBC, Oct. 25, 2021 <https://www.cnbc.com/2021/10/25/tesla-hertz-ev-deal-signal-to-rental-car-fleets-its-time-for-electric.html>

⁴ "Illusion of Choice," American Economic Liberties Project <https://www.cnbc.com/2021/10/25/tesla-hertz-ev-deal-signal-to-rental-car-fleets-its-time-for-electric.html>

⁵ Cooper, Jonathan, "Car-sharing apps' rising US popularity fuels tax debate," Associated Press, May 2, 2019 <https://apnews.com/small-business-travel-and-tourism-general-news-142460121a914612b829588bad796764>

To sum up, the exemption for sales and use tax should be repealed, as it is unfair to the Maine public, Maine taxpayers, and entrenches dominant corporations at the expense of both. Thank you for your time.

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