



**STATEMENT OF THE AMERICAN CAR RENTAL ASSOCIATION  
IN OPPOSITION TO L.D. 2198  
BEFORE THE MAINE JOINT COMMITTEE ON TAXATION  
FEBRUARY 20, 2024**

Good afternoon, Senator Grohoski and Representative Perry and Members of the Joint Committee on Taxation. My name is Greg Scott, Government Relations Advisor for the American Car Rental Association (ACRA). I appear before you today to register ACRA's opposition to L.D. 2198, "An Act to Remove the Exemption from Sales and Use Tax for Automobiles Purchased for Use as Rentals." Thank you for the opportunity to present ACRA's views on this legislation today.

ACRA is the national association for over 98% of our nation's car rental industry. Our membership is comprised of over 300 car rental companies, including all of the brands you would recognize such as Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Sixt and Thrifty. ACRA members also include many system licensees and franchisees, mid-size, regional and independent car rental companies as well as smaller, "mom & pop" operators. ACRA members have over 1.7 million registered vehicles in service in the United States, with fleets ranging in size from one million cars to ten cars. Chances are – if a car is rented in Maine – it is being rented from an ACRA member.

As an initial matter, it must be pointed out that this Committee in 2023 considered a legislative proposal (L.D. 1946) that contained the same repeal of the Maine car rental sales and use tax exemption as L.D. 2198 – and this Committee rejected that bill on June 12, 2023. ACRA respectfully asks that this Committee take a similar position with respect to L.D. 1705.

The enactment of L.D. 2198 would have a wide range of negative impacts on car rental companies doing business in Maine, as well as the thousands of Maine residents and visitors who rent cars in the state every day. Proponents of this bill claim that car rental companies receive preferential tax treatment via an exemption from state sales and use tax when a car rental company purchases a vehicle in Maine.

That claim is false and misleading. Maine has adopted a general sales and use tax policy that any item of personal property – whether a car, a refrigerator, a painting or a candy bar – is not subject to the sales and use tax at the wholesale level of distribution if the item is to be resold at retail. This prevents double taxation of the same item at the wholesale and retail levels of sales.

Currently, car rental companies are treated just like every other business in the state that purchases goods for rental, lease, sale or resale – they are exempt from the Maine sales and use tax. Similarly, car dealers don't pay sales tax on cars they purchase from vehicle manufacturers that they then sell or lease to their customers. Appliance dealers don't pay sales tax on televisions or ovens they then sell to their customers. Car rental companies should not be treated any differently – they should not be subject to the Maine sales tax when they purchase a car to rent, lease or sell to an individual or other business at retail.

- **FACT:** This bill would establish a different tax treatment for car rental companies that would be inconsistent with all other business entities operating in Maine. All of these Maine wholesale purchasers secure goods at wholesale free from sales and use tax and then impose the sales and use tax when they retail those goods to their customers. 36 MRSA § 1752, sub-§ 11, ¶ B, as amended by PL 2021, c. 578, § 1 established a basic corporate tax policy that Maine dealers and lessors of goods, including cars, are exempt from the state's sales and use tax. This bill would create a glaring exception to this general rule – an exception that future legislation certainly could seek to broaden and apply to other businesses operating in the state.
- **FACT:** Setting aside the fact that this bill would treat car rental companies differently than any other business in the state, the bill also would increase the cost of doing business for Maine's car rental companies. Such increase operating costs could jeopardize the tens of millions of dollars in sales and other tax revenue the Maine car rental industry already generates for the state.
- **FACT:** Car rental companies in Maine already collect millions of dollars in sales tax annually for the state – from the renters of their cars as part of the rental contract. ACRA members also pay millions of dollars in

rental excise taxes and fees, airport concession fees, and business and payroll taxes

- **FACT:** No other state requires rental companies – or other businesses purchasing wholesale goods for resale – to pay sales and use tax on vehicles purchased for use in rental transactions with consumers.

ACRA urges Maine not to break from this unanimous fundamental tenet of tax policy – a sales tax is imposed on the consumer of a good, not the wholesale purchaser of a good for resale – and break with every other state in the nation on this tax policy matter. ACRA urges this Committee to reject this bill, just as you rejected a bill containing a similar proposal in 2023.

ACRA welcomes the opportunity to present its views to the Committee. If you have any questions on the points raised by ACRA in this testimony, please do not hesitate to contact me at 202-297-5123 or [gscott@merevir.com](mailto:gscott@merevir.com).

Thank you for your consideration of ACRA's views on this important legislation.