



Enterprise Mobility™

Testimony of Jason Ellis, Group Controller

Presented to the Joint Standing Committee on Taxation

In Opposition to LD 2198, An Act to Remove the Exemption from Sales and Use Tax for Automobiles Purchased for Use as Rentals

Sponsored by Speaker Talbot Ross

February 20, 2024

Senator Grohoski, Representative Perry and members of the Taxation Committee, my name is Jason Ellis. I am the Group Controller in the New England Region for Enterprise Mobility and I'm here to testify in opposition to LD 2198, An Act to Remove the Exemption from Sales and Use Tax for Automobiles Purchased for Use as Rentals.

Enterprise Mobility operates the Enterprise Rent-A-Car, National Car Rental, and Alamo Rent A Car brands across Maine. We are a 60-year-old, family owned, family operated business that offers mobility solutions including car rental, car sharing, commuter vanpooling, and other mobility solutions. We bring Maine residents these services through our network of more than 4,450 vehicles operated by our 232 employees at more than 34 locations in Maine.

Our customer base is focused on Maine people. Most of our locations in Maine are not located at airports. They are neighborhood locations that conducted over 70,000 transactions in 2023. They serve the mobility needs of Maine people in communities across the state. Mainers rent vehicles from our company for leisure travel, business travel, to replace their personal car when it is out of service for mechanical or collision repair, because they do not own a car, or any number of other reasons. 60% of our total transactions in Maine are to people with a Maine driver's license.

Enterprise appreciates your careful consideration of LD 2198, which revokes the long-standing tax treatment of vehicles purchased exclusively for rental in the regular course of business. Maine currently does not apply sales tax to tangible property that is purchased exclusively for rental, lease, sale or resale. Maine does, however, apply sales tax to retail transactions involving such property. This is consistent with tax policy for all other wholesale purchases of inventory by businesses. For example, a local shop owner does not pay sales tax on the purchase of the goods she offers for sale in her store. Instead, sales tax is owed on the retail sale of those goods. The shop owner collects that sales tax from her customers and is responsible for remitting it to the state.

LD 2198 would completely upend that policy and create a tax treatment of vehicle rental companies that is inconsistent with every other state in the country. It would impact small businesses and severely disrupt the existing tax revenue that the State and local municipalities receive from the vehicle rental industry, estimated at \$25 million annually. Imposing millions of

dollars in new taxes on an industry still recovering from the impacts of the COVID-19 global pandemic would further jeopardize large and small operators alike. This change in long-standing tax policy would create unnecessary uncertainty for our business.

Proponents of LD 2198 may claim that motor vehicle rental companies receive preferential tax treatment via an exemption from state sales tax on the purchase of vehicles. The fact is, rental companies are treated just like everyone else who purchases goods exclusively for sale, resale, or taxable rental or lease. When rental companies, or anyone else, purchase a vehicle for any other use, there is no exemption.

Enterprise is asking you to reject LD 2198. We instead ask, that you maintain the consistent Maine tax policy of exempting from sales tax the purchase of goods to be used for resale purposes only. Motor vehicles purchased by rental companies should not face a different tax treatment than any other goods purchased exclusively for sale, resale, or taxable rental or lease.

Thank you for the opportunity to testify. I'd be happy to answer any questions you may have.