



April 23, 2025

The Honorable Nicole Grohoski
Co-Chair
Maine Joint Committee on Taxation
Room 127, 3 State House Station
Augusta, ME 04333

The Honorable Kristen Cloutier
Co-Chair
Maine Joint Committee on Taxation
Room 127, 3 State House Station
Augusta, ME 04333

RE: Support LD 1602 (SP 639) - *An Act to Remove the Exemption from Sales and Use Tax for Automobiles Purchased for Use as Rentals*

Dear Chairs Grohoski and Cloutier, and members of the Committee:

On behalf of the Chamber of Progress, a tech industry coalition promoting technology's progressive future, I write to urge you to **support LD 1602**, which would remove the sales tax exemption for the rental car industry by imposing a 5.5% tax on such purchases. This necessary and important reform to Maine's tax code enhances fairness, promotes competition, and ends a tax carveout that overwhelmingly benefits a handful of large rental car companies. It would also **generate over \$20 million in annual revenue** in Maine.

This bill would restore the traditional sales tax policy toward rental cars. Rental car companies — a highly profitable, multi-billion-dollar industry — are currently exempt from paying sales and use taxes under the classification of a "sale for resale." Rental car companies claim that purchasing fleet vehicles resembles traditional retailers acquiring inventory. However, this comparison is fundamentally flawed. Traditional retailers, such as grocery stores, sell inventory directly to customers, transferring both ownership and possession of the goods. In contrast, rental car companies retain the title and permanent ownership of their vehicles, generating revenue by temporarily leasing them to consumers. As a result, these vehicles should not qualify as inventory in the traditional sense but are long-term revenue-generating assets owned and utilized by rental car companies.

In fact, in 2020, a court in Oregon¹ ruled that a rental car company owed sales taxes on the purchase of its vehicles because the purchase and subsequent rental to generate profit (while retaining the title) did not qualify under the sale for resale tax exemption.

Maine has an opportunity to bridge revenue gaps amidst budget and financial pressures. With increasing economic uncertainty for Maine residents amidst the Trump administration's volatile tariffs,² and budget uncertainty for the state due to slashes in federal funding,³ now more than ever, eliminating the rental car tax loophole is a good way to bring in consistent revenue without increasing the burden on Maine's families. Closing the rental car tax loophole by passing LD 1602 could bring in over \$20 million annually for Maine,⁴ creating a consistent source of revenue to support vital public services.

Additional revenue could be redirected to support programs that directly benefit the people of New York. LD 1602 closes the rental car tax loophole by offering an opportunity to strengthen state revenues without raising prices for hardworking Maine residents. The funds recovered from repealing this exemption could be reinvested to address budget priorities, including education, healthcare, workforce development, and more. This would ultimately strengthen the state's long-term financial stability and support investments that enhance the quality of life for all Maine residents.

Maine can follow other states' lead. States like Oregon, North Dakota, Hawaii, and Georgia have repealed tax exemptions for rental car companies, recognizing them as unfair subsidies that drain public revenue. These states have established a fairer tax system while redirecting the recovered funds to essential public services and state initiatives. Maine can follow their lead by eliminating this costly loophole and prioritizing fiscal responsibility and fairness for taxpayers.

By closing this loophole, Maine could 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 and facilitates more livable cities, freeing up street space devoted to vehicle parking. These services also allow car owners to earn extra income by sharing their vehicles. However, car owners who share their cars through these services receive no sales tax exemptions and are responsible for their own license and registration fees.

¹ EAN HOLDINGS, LLC, v. DEPARTMENT OF REVENUE, State of Oregon, <https://casetext.com/case/ean-holdings-llc-v-dept-of-revenue>

² See <https://www.pressherald.com/2025/04/10/tariffs-force-maine-businesses-municipalities-into-an-uncertain-future/>

³ See <https://www.newscentermaine.com/article/news/politics/maine-politics/heres-how-legislators-drafting-the-state-budget-respond-to-federal-funding-freezes/97-79b11709-913a-4548-8fe9-6ae47663dde9>

⁴ See <https://netchoice.org/big-rentals-rules-of-the-road-tax-loopholes-sneaky-subsidies/>

	Current Maine Law		LD 1602 (Proposed)	
	Daily Booking Surcharge?	Pay Sales Tax on Car Purchase?	Daily Booking Surcharge?	Pay Sales Tax on Car Purchase?
Traditional Rental Companies	Yes	No	Yes	Yes
Peer-to-Peer Carsharing	Yes	Yes	Yes	Yes

Thank you for your leadership on this issue. This bill will close an unfair tax loophole and raise critical revenues. I encourage you to **support the swift passage of LD 1602** for the sake of Maine taxpayers and residents and to foster a healthy, competitive rental market.

Sincerely,



Brianna January
 Director of State & Local Government Relations, Northeast US