



Testimony of Jason Ellis, Group Controller

Presented to the Joint Standing Committee on Taxation

In Opposition to LD 1602, An Act to Remove the Exemption from Sales and Use Tax for
Automobiles Purchased for Use as Rentals

Sponsored by Senator Mike Tipping

April 23, 2025

Senator Grohoski, Representative Cloutier 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 1602.

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 multi-modal mobility service models. We bring Maine residents these services through our network of 4,800 vehicles operated by our 245 employees at more than 23 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. We conducted over 200,000 transactions in 2024 to 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.

LD 1602 would revoke the long-standing tax treatment of vehicles purchased exclusively for rental in the regular course of business. Maine, like every other state, 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 1602 would completely upend that policy and create a new and abnormal 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 and unknown impact of potential tariffs would further jeopardize large and small operators alike. This change in long-standing tax policy would create unnecessary uncertainty for our business.

We register 4,800 new cars in Maine every year. If LD 1602 were to pass, given the extraordinary additional cost on the company, we would have no choice but to re-evaluate business practices in the state that could include significantly curtailing the purchase of brand-new vehicles and instead look to keep older vehicles on the road in Maine for a longer period. Such action would likely, in turn, reduce any anticipated revenue stream. Any decisions on changes to the business would be made in the best interest of our employees and customers.

LD 1602 would also create recordkeeping challenges for our company and the industry. For Enterprise, any vehicle we purchase outside of Maine that is subsequently “used” for any period in Maine would have to pay Maine’s 5.5% use tax on the original purchase price of that automobile. The only exception would be for an automobile purchased and used outside of Maine for more than 12 months before being used in Maine. We regularly have cars registered in states other than Maine that end up in Maine within the first year of purchase, especially in the summer. LD 1602 would require us to document the use outside of Maine of each of these vehicles - on a car-by-car basis.

Proponents of LD 1602 may claim that motor vehicle rental companies receive preferential tax treatment via an “exemption” from state sales tax on the purchase of vehicles. They have tried to characterize this as a “loophole.” That is legally and factually incorrect. Rental companies are treated just like every other retailer who purchases goods wholesale exclusively for rental, lease, sale or resale. When rental companies, or any other retailers, purchase a vehicle for any other use, there is no exemption.

Enterprise is asking you to reject LD 1602. We ask instead, that you maintain the consistent Maine tax policy of not imposing a new tax on business inputs uniquely upon one industry. . Motor vehicles purchased by rental companies should not face a different tax treatment than any other retailer that purchases goods exclusively for sale, resale, rent, or lease.

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