



February 20, 2024

The Honorable Nicole Grohoski  
Chair  
Joint Committee on Taxation  
State House, Room 127,  
Augusta, ME

The Honorable Joe Perry  
Chair  
Joint Committee on Taxation  
State House, Room 127,  
Augusta, ME

**RE: Support LD 2198: An Act to Remove the Exemption from Sales and Use Tax for Automobiles Purchased for Use as Rentals**

Dear Senator Grohoski, Representative Perry, 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 2198**. Rental car companies currently enjoy preferential sales tax loopholes that cost Maine taxpayers over \$10.5 million per year.<sup>1</sup> If enacted, LD 2198 would close these loopholes, generating additional revenue for the state and protecting competition in the car rental industry.

**This bill would restore traditional sales tax policy toward rental cars.** Currently, rental car companies nationwide legally evade billions in taxes every year using the "sale for resale exemption." Under this exemption, businesses that purchase items purely for resale do not pay sales tax. However, rental car companies actually use their vehicles during the normal course of business. Just as a business would pay tax on a computer or office supplies they actually used, rental car companies should pay tax on the vehicles they use.

---

<sup>1</sup>Big Rental's Rules on the Road: Tax Loopholes & Sneaky Subsidies (2020)  
<https://netchoice.org/wp-content/uploads/2020/04/Turo-VLF-v.3.pdf>

In a recent lawsuit in Oregon, a court ruled that a rental car company owed sales taxes on the purchase of their vehicles because the purchase and subsequent rental to generate profit (while retaining the title) did not qualify under the sale for resale tax exemption.<sup>2</sup>

**Closing the loophole would generate millions of dollars in additional revenue for Maine.** An analysis of the rental car industry in 2019 found that Maine lost out on \$10.5 million annually as a result of untaxed purchases by rental car companies. If this loophole was closed, that revenue could fund education, infrastructure, and child care programs throughout the state.

**By closing this loophole, Maine would be able to 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 give car owners the opportunity to earn extra income by sharing their vehicle. 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.

	Current Maine Law		LD 2198 (Proposed)	
	Daily Booking Surcharge?	Pay Sales Tax on Car Purchase?	Daily Booking Surcharge?	Pay Sales Tax on Car Purchase?
<b>Traditional Rental Companies</b>	Yes	No	Yes	Yes
<b>Peer to Peer Carsharing</b>	Yes	Yes	Yes	Yes

We believe this legislation will close an unfair tax loophole and raise critical revenues. On behalf of consumers and in hopes of encouraging a healthy, competitive rental market, we ask your committee to **support LD 2198**.

Thank you,

<sup>2</sup> EAN HOLDINGS, LLC, v. DEPARTMENT OF REVENUE, State of Oregon, <https://casetext.com/case/ean-holdings-llc-v-dept-of-revenue>

**Alain Xiong-Calmes**

**Director of State & Local Government Relations, Northeast US**