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Testimony of Speaker Rachel Talbot Ross presenting

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

Before the Joint Standing Committee on Taxation

Good afternoon Senator Grohoski, Representative Perry, and esteemed members of the Joint Standing Committee on Taxation. My name is Rachel Talbot Ross. I represent House District 118 on the peninsula of Portland, and I serve as Speaker of the House. Thank you for the time this afternoon to present **LD 2198, An Act to Remove the Exemption from Sales and Use Tax for Automobiles Purchased for Use as Rentals**.

This bill would close a loophole in Maine's tax law that currently serves to advantage large rental car companies, placing at a disadvantage those that rent their cars using peer-to-peer platforms. Under Maine's current law, rental car companies do not pay sales taxes on the cars that they purchase.

However, the past several years have seen a rapid expansion in peer-to-peer sharing platforms for car rentals. Such services allow Mainers to rent their cars to others using mobile and online apps; this service has unique benefit in Maine, a rural state with a high rate of local car ownership and a strong stake in the tourism industry.

Importantly, Mainers using such services do not benefit from the exemption in sales and use taxes that currently applies to large rental car companies. That tax is 5.5% on the purchase price of cars.

LD 2198 would eliminate the exemption from sales and use tax for automobiles for use as rentals. That means that large rental car companies would have to pay the same sales and use taxes on their fleets as Mainers using their cars for personal use, including those that may be renting out their own cars for use by others.

This change is necessary for a few reasons, the first short-term, and the second structural. In the short-term, there are Mainers now who are renting their cars out using peer-to-peer platforms, and they are paying taxes. Those taxes contribute to the construction and maintenance of public infrastructure, which in turn serves the interest of this business. In the interest of fairness, I

contend that large rental companies should make the same contribution, and they should make that contribution in the short-term.

My second argument is structural. The advent and rapid development of the Internet has seen a proliferation of peer-to-peer platforms, and that trend is not slowing anytime soon. This is a change that would modernize our tax law in keeping with a set of market trends that is pervasive and exists well beyond our state's borders, and ensure a more level playing field for those participating in the gig economy.

By approving LD 2198, this committee stands to make a proactive, thoughtful change towards a more equitable tax code, and I urge you to support it. I am happy to answer any questions you may have.