

**Prepared Remarks of
National Business Travel Association**

Before the:

**United States House of Representatives Judiciary
Subcommittee on Commercial and Administrative Law**

Hearing on:

**H.R. 4175, the "End Discriminatory State Taxes for Automobile Renters
Act of 2009"**

June 15, 2010



**NATIONAL BUSINESS
TRAVEL ASSOCIATION**

Connecting the Business Travel World

Mr. Chairman, Ranking Member and Members of the Subcommittee, I am pleased to provide this testimony to you on H.R. 4175, the "End Discriminatory State Taxes for Automobile Renters Act of 2009" and submit the following testimony for the record. The National Business Travel Association (NBTA) recognizes that an effective transportation system requires sufficient funding from taxes. However, NBTA strongly opposes taxes on the industry that are diverted to pay for other non-related items. As this legislation would impose a permanent moratorium on discriminatory excise taxes on car rental customers by declaring these taxes an undue burden on interstate commerce, the NBTA strongly supports its enactment.

About the National Business Travel Association

NBTA is the world's premier business travel and corporate meetings organization. NBTA and its regional affiliates – NBTA Australia / New Zealand, the Brazilian Business Travel Association (ABGEV), NBTA Canada, NBTA Europe, NBTA Mexico, and NBTA USA – serve a network of more than 17,000 business travel professionals around the globe with industry-leading events, networking, education & professional development, research, news & information, and advocacy. NBTA members, numbering more than 5,000 in 30 nations, are corporate and government travel and meetings managers, as well as travel service providers. They collectively manage and direct more than US\$340 billion of global business travel and meetings expenditures annually on behalf of more than 13 million business travelers within their organizations.

NBTA supports H.R. 4175, the "End Discriminatory State Taxes for Automobile Renters Act of 2009" and submits the following testimony for the record.

NBTA recognizes that an effective transportation system requires sufficient funding from taxes. NBTA believes taxes and fees on the industry should be:

- Proportionate to the cost of the travel;
- Applied consistently across the country; and
- Re-invested to improve and maintain travel infrastructure and not diverted to non-travel spending.

NBTA opposes taxes on the industry that are diverted to pay for other non-related items. Unfortunately, taxes on travelers are exploding across the country. The remarkable aspect of traveler taxes is the small group taxed and the wide variety of projects they finance that are in no way related to business or leisure travel. These taxes hurt not only the business traveler and their companies, but also the overall economy and especially the U.S. travel industry, which is just now seeing business travel begin to increase up to pre-stock crash levels.

While many types of taxes are increasing, the most outrageous and least fair taxes are those being imposed on rental cars. Currently, there are at least 118 car rental excise taxes in 43 states and the District of Columbia.

Wary of increasing taxes on the general public , politicians have turned to enacting excise taxes on rental car customers. The premise being taxes on rental car customers is an easy way to raise funds without raising taxes on voters or local businesses. However, at closer inspection this view does not hold up.

Just under half of all existing or proposed car rental taxes are earmarked to finance sports stadiums or convention centers. Despite the billions of dollars paid by rental car companies and customers in excess of normal sales taxes, these taxes do not represent a special benefit to rental car customers nor is there a direct connection between renting a car and using the public facilities or programs the taxes fund.

As of 2004, car rentals at offices away from airports comprise the majority of the U.S. rental car market. The vast majority of customers at these locations are locals, not visitors.ⁱ

This was confirmed again in a survey done by NBTA that a majority of NBTA members rent most of their cars locally.

In August, 2009, The NBTA Foundation, the education and research foundation of NBTA, and Concur, the world's leading provider of on-demand employee spend management services, released the updated findings of a comprehensive study of car rental, hotel and meal taxes in the top 50 U.S. travel destination cities. The following tables show the Car Rental Taxes for the Top 50 Travel Destinations for "Airport Single Day Tax Rates and Tax Amount" and "Central City Single Day Tax Rates and Tax Amount"

Airport Single Day Tax Rates and Tax Amount Car Rental Taxes Top 50 Destinations

| | State | City | Location | Combined* percentage tax rate | Added flat tax amount | Overall effective tax rate on rental | Tax on \$73.66 one day rental |
|---|-------|---------------------|----------|-------------------------------------|--------------------------|--|----------------------------------|
| 1 | OH | Columbus CMH | Airport | 6.75% | \$0.68 | 7.67% | \$5.65 |
| 2 | MO | St. Louis STL | Airport | 8.08% | \$0.00 | 8.08% | \$5.95 |
| 3 | FL | Fort Lauderdale FLL | Airport | 6.00% | \$2.00 | 8.72% | \$6.42 |
| 4 | HI | Honolulu HNL | Airport | 4.71% | \$3.00 | 8.78% | \$6.47 |
| 5 | MI | Detroit DTW | Airport | 8.00% | \$0.81 | 9.10% | \$6.70 |
| 6 | FL | Fort Myers RSW | Airport | 6.00% | \$2.78 | 9.77% | \$7.20 |
| 7 | FL | Orlando MCO | Airport | 6.50% | \$2.81 | 10.31% | \$7.59 |
| 8 | FL | West Palm Beach PBI | Airport | 6.50% | \$2.81 | 10.31% | \$7.59 |
| 9 | CT | Hartford HFD | Airport | 9.00% | \$1.00 | 10.36% | \$7.63 |
| 10 | DC | Washington DCA | Airport | 10.00% | \$0.30 | 10.41% | \$7.67 |
| 11 | FL | Jacksonville JAX | Airport | 7.00% | \$2.78 | 10.77% | \$7.94 |
| 12 | FL | Miami MIA | Airport | 7.00% | \$2.81 | 10.81% | \$7.96 |
| 13 | FL | Tampa TPA | Airport | 7.00% | \$2.83 | 10.84% | \$7.99 |
| 14 | CA | Ontario ONT | Airport | 11.25% | \$0.00 | 11.25% | \$8.29 |
| 15 | CA | Orange County SNA | Airport | 11.25% | \$0.00 | 11.25% | \$8.29 |
| 16 | CA | Sacramento SAC | Airport | 11.25% | \$0.00 | 11.25% | \$8.29 |
| 17 | CA | San Diego SAN | Airport | 11.25% | \$0.00 | 11.25% | \$8.29 |
| 18 | GA | Allanta ATL | Airport | 10.00% | \$1.22 | 11.66% | \$8.59 |
| 19 | CA | Burbank BUR | Airport | 11.75% | \$0.00 | 11.75% | \$8.66 |
| 20 | CA | Los Angeles LAX | Airport | 11.75% | \$0.00 | 11.75% | \$8.66 |
| 21 | CA | San Francisco SFO | Airport | 11.75% | \$0.00 | 11.75% | \$8.66 |
| 22 | CA | San Jose SJC | Airport | 11.75% | \$0.00 | 11.75% | \$8.66 |
| 23 | LA | New Orleans MSY | Airport | 12.00% | \$0.00 | 12.00% | \$8.84 |
| 24 | MD | Baltimore BWI | Airport | 11.50% | \$0.38 | 12.01% | \$8.85 |
| 25 | CA | Oakland OAK | Airport | 12.25% | \$0.00 | 12.25% | \$9.02 |
| 26 | OR | Portland PDX | Airport | 12.50% | \$0.33 | 12.95% | \$9.54 |
| 27 | TN | Nashville BNA | Airport | 13.25% | \$0.00 | 13.25% | \$9.76 |
| 28 | CO | Denver DEN | Airport | 13.35% | \$0.00 | 13.35% | \$9.83 |
| 29 | NC | Raleigh-Durham RDU | Airport | 13.00% | \$0.45 | 13.61% | \$10.03 |
| 30 | PA | Philadelphia PHL | Airport | 11.00% | \$2.00 | 13.72% | \$10.10 |
| 31 | NY | New York JFK | Airport | 14.38% | \$0.00 | 14.38% | \$10.59 |
| 32 | NM | Albuquerque ABQ | Airport | 11.75% | \$2.00 | 14.47% | \$10.66 |
| 33 | NY | Buffalo BUF | Airport | 14.75% | \$0.00 | 14.75% | \$10.86 |
| 34 | IN | Indianapolis IND | Airport | 15.00% | \$0.00 | 15.00% | \$11.05 |
| 35 | MO | Kansas City MCI | Airport | 7.98% | \$5.82 | 15.88% | \$11.69 |
| 36 | NC | Charlotte CLT | Airport | 15.75% | \$0.20 | 16.02% | \$11.80 |
| 37 | OH | Cleveland CLE | Airport | 7.75% | \$6.30 | 16.30% | \$12.01 |
| 38 | PA | Pittsburgh PIT | Airport | 10.00% | \$4.84 | 16.56% | \$12.20 |
| 39 | WI | Milwaukee MKE | Airport | 13.60% | \$2.88 | 17.51% | \$12.90 |
| 40 | NV | Las Vegas LAS | Airport | 17.75% | \$0.00 | 17.75% | \$13.07 |
| 41 | MN | Minneapolis MSP | Airport | 17.85% | \$0.00 | 17.85% | \$13.15 |
| 42 | UT | Salt Lake City SLC | Airport | 16.35% | \$1.34 | 18.16% | \$13.38 |
| 43 | TX | Austin AUS | Airport | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 44 | TX | Dallas DFW | Airport | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 45 | TX | Houston IAH | Airport | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 46 | TX | San Antonio SAT | Airport | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 47 | WA | Seattle SEA | Airport | 19.30% | \$0.24 | 19.63% | \$14.46 |
| 48 | AZ | Phoenix PHX | Airport | 18.55% | \$2.50 | 21.94% | \$16.16 |
| 49 | IL | Chicago ORD | Airport | 20.00% | \$2.75 | 23.73% | \$17.48 |
| 50 | MA | Boston BOS | Airport | 5.00% | \$14.76 | 25.04% | \$18.44 |
| *Combined state, county, city and taxing districts. Airport may be in different state than center city. | | | | | | | |
| Note: Top ten and bottom ten are in bold. | | | | | | | |
| | | Maximum rate | | 20.00% | \$14.76 | 25.04% | \$18.44 |
| | | Minimum rate | | 4.71% | \$0.68 | 7.67% | \$5.65 |
| | | Average rate | | 11.58% | \$1.65 | 13.82% | \$10.18 |
| | | Median rate | | 11.75% | \$0.74 | 12.60% | \$9.28 |

Central City Single Day Tax Rates and Tax Amount Car Rental Taxes Top 50 Destinations

| | State | City | Location | Combined* percentage tax rate | Added flat tax amount | Overall effective tax rate on rental | Tax on \$73.66 one day rental |
|---|-------|-----------------|--------------|-------------------------------------|--------------------------|---|----------------------------------|
| 1 | OH | Columbus | Central city | 6.75% | \$0.68 | 7.67% | \$5.65 |
| 2 | CA | Ontario | Central city | 8.75% | \$0.00 | 8.75% | \$6.45 |
| 3 | CA | Orange County | Central city | 8.75% | \$0.00 | 8.75% | \$6.45 |
| 4 | CA | Sacramento | Central city | 8.75% | \$0.00 | 8.75% | \$6.45 |
| 5 | CA | San Diego | Central city | 8.75% | \$0.00 | 8.75% | \$6.45 |
| 6 | MI | Detroit | Central city | 8.00% | \$0.81 | 9.10% | \$6.70 |
| 7 | CA | Burbank | Central city | 9.25% | \$0.00 | 9.25% | \$6.81 |
| 8 | CA | Los Angeles | Central city | 9.25% | \$0.00 | 9.25% | \$6.81 |
| 9 | CA | San Jose | Central city | 9.25% | \$0.00 | 9.25% | \$6.81 |
| 10 | CA | San Francisco | Central city | 9.50% | \$0.00 | 9.50% | \$7.00 |
| 11 | HI | Honolulu | Central city | 4.71% | \$3.60 | 9.60% | \$7.07 |
| 12 | CA | Oakland | Central city | 9.75% | \$0.00 | 9.75% | \$7.18 |
| 13 | FL | Fort Myers | Central city | 6.00% | \$2.83 | 9.84% | \$7.25 |
| 14 | DC | Washington | Central city | 10.00% | \$0.00 | 10.00% | \$7.37 |
| 15 | FL | West Palm Beach | Central city | 6.50% | \$2.78 | 10.27% | \$7.57 |
| 16 | FL | Orlando | Central city | 6.50% | \$2.81 | 10.31% | \$7.59 |
| 17 | CT | Hartford | Central city | 9.00% | \$1.00 | 10.36% | \$7.63 |
| 18 | FL | Miami | Central city | 7.00% | \$2.81 | 10.81% | \$7.96 |
| 19 | FL | Tampa | Central city | 7.00% | \$2.81 | 10.81% | \$7.96 |
| 20 | FL | Jacksonville | Central city | 7.00% | \$2.83 | 10.84% | \$7.99 |
| 21 | FL | Fort Lauderdale | Central city | 6.00% | \$3.61 | 10.90% | \$8.03 |
| 22 | MD | Baltimore | Central city | 11.50% | \$0.00 | 11.50% | \$8.47 |
| 23 | GA | Atlanta | Central city | 10.00% | \$1.22 | 11.66% | \$8.59 |
| 24 | LA | New Orleans | Central city | 12.00% | \$0.00 | 12.00% | \$8.84 |
| 25 | MO | St. Louis | Central city | 8.24% | \$3.40 | 12.86% | \$9.47 |
| 26 | OR | Portland | Central city | 12.50% | \$0.33 | 12.95% | \$9.54 |
| 27 | TN | Nashville | Central city | 13.25% | \$0.00 | 13.25% | \$9.76 |
| 28 | CO | Denver | Central city | 13.35% | \$0.00 | 13.35% | \$9.83 |
| 29 | WI | Milwaukee | Central city | 13.60% | \$0.00 | 13.60% | \$10.02 |
| 30 | PA | Philadelphia | Central city | 11.00% | \$2.00 | 13.72% | \$10.10 |
| 31 | NY | New York | Central city | 14.38% | \$0.00 | 14.38% | \$10.59 |
| 32 | NM | Albuquerque | Central city | 11.75% | \$2.00 | 14.47% | \$10.66 |
| 33 | NY | Buffalo | Central city | 14.75% | \$0.00 | 14.75% | \$10.86 |
| 34 | IN | Indianapolis | Central city | 15.00% | \$0.00 | 15.00% | \$11.05 |
| 35 | NC | Raleigh | Central city | 14.50% | \$0.45 | 15.11% | \$11.13 |
| 36 | MO | Kansas City | Central city | 7.73% | \$5.82 | 15.63% | \$11.51 |
| 37 | NC | Charlotte | Central city | 15.75% | \$0.20 | 16.02% | \$11.80 |
| 38 | OH | Cleveland | Central city | 7.75% | \$6.30 | 16.30% | \$12.01 |
| 39 | PA | Pittsburgh | Central city | 10.00% | \$4.84 | 16.56% | \$12.20 |
| 40 | UT | Salt Lake City | Central city | 16.35% | \$1.34 | 18.16% | \$13.38 |
| 41 | TX | Austin | Central city | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 42 | TX | Dallas | Central city | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 43 | TX | Houston | Central city | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 44 | TX | San Antonio | Central city | 15.00% | \$2.45 | 18.33% | \$13.50 |
| 45 | MA | Boston | Central city | 5.00% | \$10.00 | 18.58% | \$13.68 |
| 46 | MN | Minneapolis | Central city | 18.60% | \$0.00 | 18.60% | \$13.70 |
| 47 | WA | Seattle | Central city | 19.30% | \$0.24 | 19.63% | \$14.46 |
| 48 | NV | Las Vegas | Central city | 19.75% | \$0.00 | 19.75% | \$14.55 |
| 49 | AZ | Phoenix | Central city | 18.55% | \$2.50 | 21.94% | \$16.16 |
| 50 | IL | Chicago | Central city | 20.00% | \$2.75 | 23.73% | \$17.48 |
| *Combined state, county, city and taxing districts. | | | | | | | |
| Note: Top ten and bottom ten are in bold. | | | | | | | |
| | | Maximum rate | | 20.00% | \$10.00 | 23.73% | \$17.48 |
| | | Minimum rate | | 4.71% | \$0.00 | 7.67% | \$5.65 |
| | | Average rate | | 11.22% | \$1.59 | 13.39% | \$9.86 |
| | | Median rate | | 10.00% | \$0.74 | 12.90% | \$9.50 |

The business travel industry and the business community at large are increasingly concerned about the negative impact of taxes targeting travel-related services such as lodging, car rentals and restaurant bills. States, cities and counties across the United States

facing budgetary constraints often turn to the customers of these services as sources of revenue to bolster general funds or pay for local projects unrelated to the services. The argument is generally that these services are mostly used by visitors, and it's better to export the tax burden. However, we believe research and analysis prove a different conclusion. Unfortunately, taxes to an arena or an arts museum affect companies' bottom lines. These taxes affect travel budgets and therefore make it more expensive to travel and difficult to develop business.

NBTA supports H.R. 4175, the "End Discriminatory State Taxes for Automobile Renters Act of 2009" and encourages the subcommittee to report the bill out favorably.

ⁱ "Local Market Revenue Grows Past Airport." *Auto Rental News*. Available at: http://www.fleetcentral.com/arn/t_inside.cfm?action=article_pick&storyID=822. Jan/Feb 2006.