

Advantage Rent A Car

Alamo Rent A Car

American Car Rental
Association

American Society
of Travel Agents

Americans for
Tax Reform

Avis Rent A Car

Budget Car Rental

Dollar Rent A Car

Enterprise Rent-A-Car

The Hertz Corporation

National Car Rental

National Business
Travel Association

National Consumers
League

National Limousine
Association

Thrifty Car Rental

Truck Renting and
Leasing Association

WeCar
Car Sharing by Enterprise

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Coalition Speaks Out on Behalf of Michigan Car Rental Customers

***Coalition opposes Legislature's initiative;
continues fight against arbitrary, unfair and
discriminatory car rental excise taxes***

July 21, 2009 (St. Louis) –The Coalition Against Discriminatory Car Rental Excise Taxes – which includes car rental and car-sharing companies as well as travel industry, consumer, limousine and truck leasing organizations – today announced its opposition to an \$2.50 car rental excise tax currently pending in the Michigan Legislature.

This new tax, proposed to help underwrite the Michigan Promotion Fund, is just one several that the Coalition has recently opposed. Last month, the Coalition opposed Wisconsin's recently enacted car rental excise tax.

Journalist and consumer advocate Christopher Elliott expressed similar doubts about the Wisconsin tax on his Web site: "...a fly-by-night approach to raising taxes on drivers, many of whom can't vote and may not benefit from the mass transit projects, is the wrong way. This issue deserves its own debate, far removed from the chaos of Wisconsin's budget bill." (<http://www.elliott.org/blog/a-73-percent-tax-on-car-rentals-in-wisconsin-that-cant-be-right/>)

In addition, the Coalition – along with the New Jersey Business and Industry Association – has publicly opposed a pending New Jersey car rental excise tax earmarked for local economic development projects. The new tax will add another surcharge on top of the existing state car rental tax and the standard sales tax on car rentals.

"This type of arbitrary tax singles out just one group of consumers to fund otherwise worthwhile projects or programs that benefit our communities overall," stated Ray Wagner, Vice President of Government and Legislative Affairs for Alamo Rent A Car, Enterprise Rent-A Car and National Car Rental. "That's why our coalition continues to speak out on behalf of car rental customers who are unfairly targeted by zealous legislators."

(more)

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The number of U.S. car rental excise taxes has doubled during the past decade, with more than 100 currently in place in 43 states and the District of Columbia – and more than \$7.5 billion collected since 1990. Moreover, the National Consumers League has noted that car rental excise taxes are regressive because they fall disproportionately on local low-income residents, many of whom must rent cars because they do not own a vehicle. This is particularly true for Enterprise Rent-A-Car customers – nearly one in four earns less than \$40,000 annually; one in 10 earns less than \$30,000; and one in 20 earns less than \$20,000.

“Zeroing in on our customers artificially raises the cost of renting a vehicle in this challenging economy, which in turn impacts auto manufacturers and inflates insurance rates,” explained Wagner. “These excise taxes are harmful for consumers as well as businesses.”

The National Business Travel Association agrees that car rental excise taxes are fundamentally unfair. “Our research indicates that the majority of NBTA member companies spend at least half of their car rental budgets in their home markets,” stated NBTA President and Chief Executive Officer Kevin Maguire.

The Coalition has publicly acknowledged that local government authority not only is the cornerstone of U.S. democracy, but that local leaders obviously are struggling to fund many worthwhile programs, including the Michigan Promotion Fund. However, as municipalities, counties and states carry out their critical role in protecting consumer and citizen rights, it is important they extend that protection to all constituents, including car rental customers.

In fact, public finance economist Kim Rueben wrote the following (see attached) last summer to the Philadelphia Daily News: “...more than half of all cars rented in the U.S. are rented locally, either for personal or business use; thus most rental excise taxes are paid by local taxpayers. So, Philadelphia’s so-called ‘tourist tax’ has been paid largely by local consumers and businesses.

“But there’s a larger issue here: Regardless of who pays them, such excise taxes represent a discriminatory, arbitrary and inequitable policy, whether the car rental is for an hour, a day or a week....Like other excise taxes, they also fall disproportionately on those who can least afford to pay them – including local residents who rent cars on weekends at discounted rates because they simply cannot afford to own a car. In short, all car rental taxes unfairly burden one group of consumers, often to pay for projects and programs that have no direct connection to renting a car.”

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About the Coalition Against Discriminatory Car Rental Excise Taxes

The Coalition includes: Advantage Rent A Car, Alamo Rent A Car, American Car Rental Association, American Society of Travel Agents, Americans for Tax Reform, Avis Rent A Car, Budget Car Rental, Dollar Rent A Car, Enterprise Rent-A-Car, The Hertz Corporation, National Car Rental, National Business Travel Association, National Consumers League, National Limousine Association, Thrifty Car Rental, Truck Renting and Leasing Association, and WeCar (car sharing by Enterprise).

Kim S. Rueben

Senior Research Associate/Economist

Philadelphia Daily News

Letter to the Editor

7/29/08

Ms. Sandy Shea

Editorial Page Editor

Philadelphia Daily News

Box 7788,

Philadelphia, PA 19101

Dear Ms. Shea:

Your July 23 editorial, "Taxing Times for Car Sharers," argued that Philadelphia's hourly car rental customers should be exempt from car rental taxes because those taxes were never meant to be paid by local residents. However, local residents also patronize more traditional rental agencies in addition to car share companies, so the Daily News has effectively – if unintentionally – made the case for why we might want to abolish these taxes entirely on *any* kind of car rental.

In fact, car rental taxes aren't paid "mainly by out-of-towners," as your editorial suggested. Economist William Gale and I have documented that more than half of all cars rented in the US are rented *locally*, either for personal or business use; thus, most rental excise taxes are paid by *local taxpayers*. So, Philadelphia's so-called "tourist tax" has been paid largely by local consumers and businesses.

But there's a larger issue here: Regardless of who pays them, such excise taxes represent a discriminatory, arbitrary and inequitable policy, whether the car rental is for an hour, a day or a week. Indeed, as you editorialized on July 23, many specific excise taxes are passed explicitly to influence behavior and why discourage car rentals? Like other excise taxes, they also often fall disproportionately on those who can least afford to pay them – including local residents who rent cars on weekends at discounted rates because they simply cannot afford to own a car.

In short, *all* car rental taxes unfairly burden one group of consumers, often to pay for projects and programs that have no direct connection to renting a car. That's why in general car rental excise taxes are bad tax policy and bad for car-sharing corporations as well as consumers overall.

Sincerely,



Kim Rueben