

NetChoice

Policy Note | March 2025

Big Rental's Rules of the Road:

Tax Loopholes & Sneaky Subsidies



NetChoice

NetChoice is a trade association of tech businesses who share the goal of promoting free expression and free enterprise on the net.

Introduction

Every year, taxpayers and consumers shell out over \$7 billion to subsidize rental-car conglomerates, despite the industry’s consistent profitability and \$38 billion in revenue¹.

2024 U.S. CAR RENTAL MARKET: FLEET, LOCATIONS, AND REVENUE			
Company	Cars in Service	U.S. Locations	2024 U.S. Revenue Est (\$ millions)
Enterprise Mobility (incl Alamo, Enterprise, National)	1,260,000	5,500	20,743
Avis Budget Group (incl Payless, not Zipcar)	464,000	2,865	8,100
Hertz (incl Dollar & Thrifty)	412,000	2,900	6,700
All others	140,850	3,968	2,340
Total for U.S.	2,276,850	15,233	37,883

First, the rental-car industry long ago persuaded most state legislatures to pass a lucrative tax break that *exempts its vehicle fleet purchases from any state sales taxes*. That sales tax exemption now costs taxpayers **\$ 6.3 billion** annually.²

Second, Big Rental lobbyists persuaded most states to subsidize the companies’ cost of registering and licensing vehicle fleets—a normal operating cost—by passing it on to consumers under the misleading label of a state-required fee. Often called a “Vehicle License Fee” (VLF)³ and listed alongside taxes, the fee deceives consumers into believing the VLF goes to the state. In fact, the VLF goes to the rental-car companies, where it adds **\$ 757 million** to their bottom lines each year.

This **NetChoice Policy Note** highlights the rental-car industry’s ability to persuade state legislatures to confer advantages unseen in other industries, and shows why Big Rental’s VLF is a state-sanctioned, consumer-paid subsidy that harms consumers. In total, **Big Rental gets over \$ 7 billion in tax breaks, loopholes, and subsidies every year.**

¹[Auto Rental News 2025 Fact Book](#), p. 10.

² See detail for each state in table at pages 9-10 in this Policy Note.

³ The fee is sometimes called “Vehicle License Recovery Fee,” “Vehicle License Fee Recovery,” “Vehicle License Cost Recovery,” “Vehicle Lic Recovery,” “Lic Fee,” “VLF Recovery,” “Title/Registration Recovery Fee,” or “Personal Property Tax Reimbursement.”

Big Rental's Sales Tax Loophole Costs Taxpayers \$ 6.3 Billion

Although consumers always pay a sales tax when they buy cars in states with a sales tax, Big Rental does not. Big Rental lobbied for—and won—special

Average New Car Price: **\$ 48,644**

exemptions from state sales taxes on its fleet purchases. Those exemptions let the industry avoid **\$ 6.3 billion** in sales taxes **annually**. Big Rental's lobbying efforts included obtaining exemptions from state sales tax, sometimes in exchange for collecting excise taxes on rental customers, as in states like Iowa, Maine and Texas.⁴

And because Big Rental's business model involves replacing its cars every year, this loophole means taxpayers subsidize the industry's biggest expense. Big Rental also buys **2.2 million** new cars every year.⁵ So as car prices tick upward, taxpayers will be on the hook for even more subsidies.

Big Rental Pads Its Bottom Line With \$ 757 Million Annually From State-Sanctioned, Consumer-Paid "Vehicle License Fees"

In every state, all owners must register and license their motor vehicles. The same is true for trucking providers and moving companies; taxis and limos; Lyft and Uber drivers; and regular Americans who share their cars through peer-to-peer car-sharing platforms like Turo and GetAround.

That's true for Big Rental companies, too. But with a twist: Big Rental's battalions of lobbyists persuaded most state legislatures to pass laws that let rental-car companies make customers pay a "**Vehicle License Fee**" (VLF). Under VLF regulations, rental-car companies are allowed to explicitly pass their vehicle registration and licensing costs through to consumers, even though they are just ordinary costs of doing business for any company that acquires and operates a fleet of cars.

⁴ Texas HB 730, 62nd R.S.

<https://lrl.texas.gov/legis/BillSearch/BillDetails.cfm?legSession=62-0&billtypeDetail=HB&billNumberDetail=730&billSuffixDetail=>

Iowa H.F. 695, 74th G.A. https://www.legis.iowa.gov/docs/publications/iactc/74.2/1992_Iowa_Acts.pdf

Maine PL CH 198, 1977 https://lldc.mainelegislature.org/Open/Laws/1977/1977_PL_c198.pdf

⁵ Rental Car Fleet Vehicles for 2024. With an average holding period of 12 months, annual fleet purchases equals the average fleet size. "The average age of a Hertz rental vehicle is 8 months", from

<https://genserv.oa.mo.gov/state-fleet-management-contracts-rental-vehicles/hertz-rental-frequently-asked-questions>. For

Avis, "... age of the fleet of approximately 13 months" from

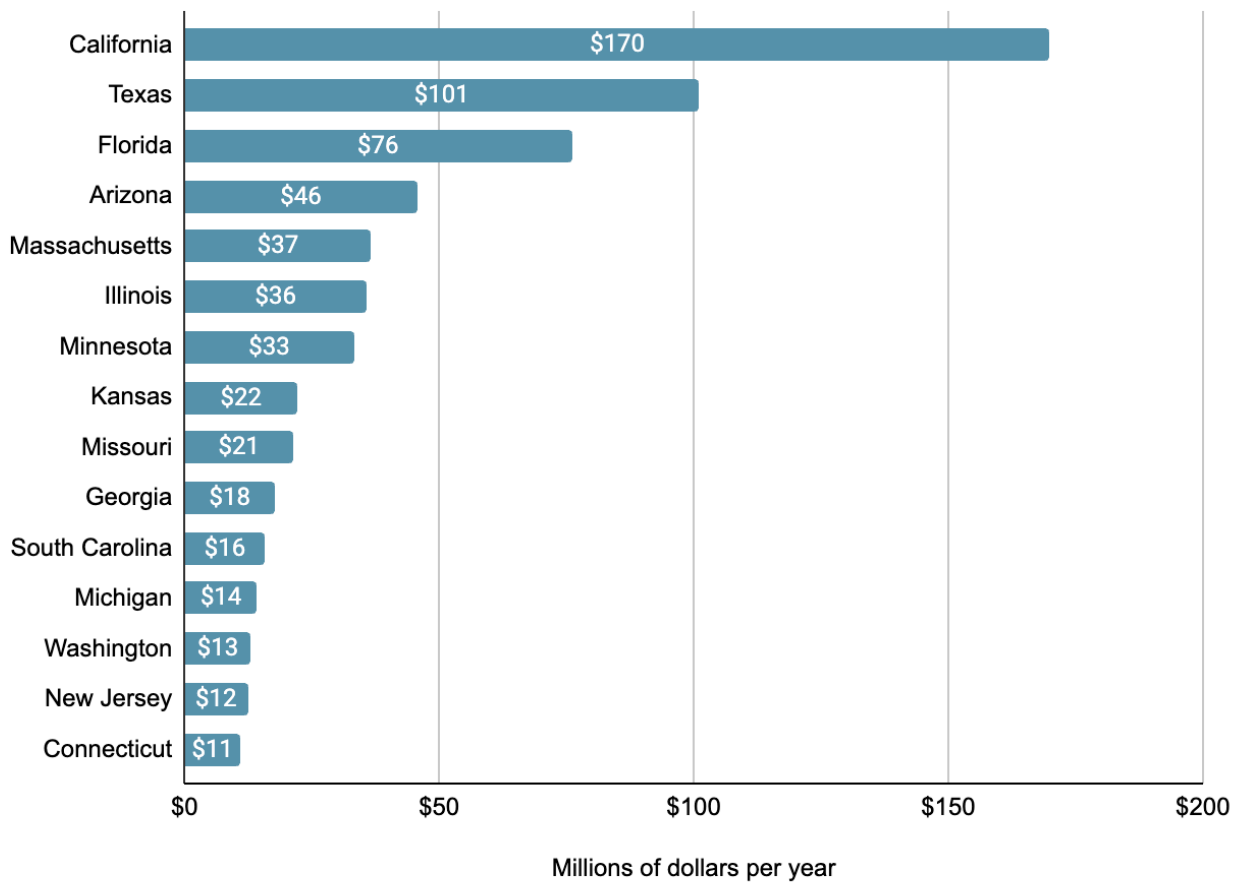
https://your.fitch.group/rs/fitchgroup/images/Avis_Budget_Rental_Car_Funding_LLC_Series_2023-3_presale_Fitch_1022814_1.pdf.

In other words, Big Rental has convinced state lawmakers to endorse a scheme to transform a normal operating cost into a state-sanctioned add-on fee, deceiving consumers into subsidizing an already very profitable industry.

And the subsidy is no small amount. With over 2.2 million rental cars in operation⁶, rental-car companies use VLFs to pad their bottom lines by **\$ 757 million**.

Nor is the subsidy limited to one geographic region. As shown below, Big Rental makes hundreds of millions of dollars in VLFs across all regions of the country, and in states both large and small.

States with the highest VLF Subsidies paid by Consumers



⁶ [Auto Rental News 2025 Fact Book](#)

VLFs Intentionally Mislead Consumers

When consumers see VLF charges on their rental car agreements, most do not realize they are covering what is just an ordinary operating cost for a rental-car company. That's part of the ruse designed by Big Rental, starting with the name, "Vehicle License Fee." To a consumer, VLF sounds like a state-imposed add-on fee or tax.

Consider placement next. As shown in the Hertz rental receipt at right⁷, VLF shows under the heading "**Service Charges/Taxes**" and just above the state sales tax.

Now consider timing. Although rental-car companies usually set, collect, and retain the VLF, they do **not** include it in the daily rental rates for the car. That means the typical renter will encounter the VLF only when it is time to pay the bill—much like when consumers encounter a sales tax at the checkout counter.

Rental-car companies may not explicitly say that VLFs are fees required by the state, but the presentation of VLF tricks the public into believing just that. Even the federal

government's consumer watchdog, the Federal Trade Commission, lists VLFs under "Taxes," stating, "The rental company will add on the required state, city, or county taxes—and their own sales tax rates—to the price of your rental car. You may see other fees, too, like **'vehicle licensing fee'** or an 'energy recovery fee.'"

SALT LAKE CITY INTL AP		#01
INITIAL CHARGES		
RENT RT	\$ 340.49 /WEEK @ 1/WEEKS	\$ 340.49
SUBTOTAL		T\$ 340.49
CHARGES ADDED DURING RENTAL		
LDW	ACCEPTED @ \$28.99DAY	T\$ 144.95
LIS	DECLINED	
PAI, PEC	DECLINED	
ADDITIONAL CHARGES*		T\$ 65.00
* ADDITIONAL CHARGES		
AAO TOTAL	\$ 65.00	
SERVICE CHARGES/TAXES		
CONCESSION FEE RECOVERY		T\$ 55.59
CUST FAC CHG		T\$ 25.00
ENERGY SURCHARGE		T\$ 1.03
VEHICLE LICENSE COST RECOVERY		T\$ 4.40
TAX 16.350% ON 636.46		\$ 104.07
TOTAL AMT DUE		\$ 740.53
PAID BY		

consumer.ftc.gov/articles/0208-renting-car

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Taxes

The rental company will add on the required state, city, or county taxes — and their own sales tax rates — to the price of your rental car. You may see other fees, too, like a “vehicle licensing fee” or an “energy recovery fee.”

⁷ Hertz receipt courtesy of Simple Pleasures Travel, "What Are All Those Car Rental Fees." For more about add-on fees, see <https://www.vox.com/money/23894657/rental-car-fees-taxes-hertz-budget-avis-cost>.

But more states are beginning to recognize the costs and lack of transparency for fees that Big Rental is shifting to consumers. In 2023, Delaware enacted a law prohibiting Big-Rental from charging VLF to their customers.⁸ The new law reads **“A motor vehicle lessor may not include a vehicle licensing recovery fee as a separately stated mandatory charge in a rental agreement.”**

And in the same year, New York’s Governor vetoed legislation – *for the second time* – that would have let Big-Rental charge VLF to their customers. The Governor said that “additional counter fees would come as an unwelcome surprise to consumers” and she stated her concerns that VLF would “...lead to less price transparency for consumers and higher costs.”⁹

VLFs are Special Favors for Big Rental

To make money, you have to spend money. Big Rental took that conventional wisdom and ran with it—straight to state capitals. There, industry lobbyists secured legislative approval for VLF laws, so Big Rental’s operating costs are turned into a guaranteed, consumer-paid revenue enhancement. And Big Rental gets to pocket that revenue while keeping consumers in the dark.

That’s a remarkable feat for private, for-profit businesses like Hertz, Enterprise Rent-A-Car, and Budget. Without such state intervention, these businesses would either have to absorb registration and licensing costs in the form of lower profits, or push those costs onto consumers through higher rental rates.

In other words, Big Rental would have to make business decisions like every other private, for-profit company when it sets its prices. Consider the Hershey Company, which increased its chocolate candy prices to offset rising production costs of cocoa in early 2025.¹⁰ Even if consumers didn’t know why prices increased, they noticed that a candy bar cost more. With that knowledge, consumers could decide whether to stick with Hershey, switch to Starburst or forgo candy altogether.

⁸ Delaware General Assembly, Chapter 233, 152nd G.A. <https://legis.delaware.gov/SessionLaws/Chapter?id=41841>

⁹ Governor Kathy Hochul, “Veto Message - Veto No. 49 of 2023.” (November 17, 2023), <https://www.documentcloud.org/documents/24253171-hochul-veto-49-2023/>

¹⁰ Melissa Repko, “Soaring Cocoa Prices Are Bad News for Those Valentine’s Day Chocolate Purchases.” CNBC (Feb 13, 2025), <https://www.cnbc.com/2025/02/13/soaring-cocoa-prices-are-bad-news-for-those-valentines-day-chocolate-purchases.html>.

But imagine if state legislatures treated Hershey the same way they treat Big Rental. Hershey could have kept prices the same while tacking-on a "Production Recovery Fee." If consumers saw such a fee, they would naturally think that it goes to the state treasury - not to Hershey's corporate coffers.

That's admittedly an absurd hypothetical, but it underscores how absurd the VLF actually is. Apart from utilities, there are no comparable examples of states granting companies like Hertz and Enterprise the power to boost revenues through misleading, state-sanctioned add-on fees.

The only remotely similar treatment is seen with public-utility companies. Most states let government-regulated monopolies tack-on additional fees for government-designated purposes.¹¹ For example, New Jersey lets utility companies impose surcharges to finance public infrastructure.¹² Kansas does the same but directs fees toward tree trimming; Massachusetts toward pension costs; Colorado toward smart meters.¹³ But utility add-on fees—unlike VLFs—have government oversight and are often regulated through a public rate-setting process.

But the big rental-car companies are **not** state-regulated monopolies, and state legislatures should **not** be granting Big Rental special treatment and tax loopholes.

Big Rental's Special Treatment Costs Taxpayers & Consumers Over \$ 7 Billion Annually

State	Vehicle License Fee (VLF)	VLF Revenue (\$ mil)	Sales Tax Rate on Cars	Rental Fleet Purchases (\$ mil)	Sales Tax Exemption (\$ mil)	Total Subsidy (\$ mil)
Alabama	\$1.25	\$6.6	2.00%	\$1,228.6	\$24.6	\$31.2
Alaska	\$1.26	\$1.4	0.00%	\$265.9	\$0.0	\$1.4
Arizona	\$5.02	\$45.7	5.60%	\$2,106.4	\$118.0	\$163.7
Arkansas	\$1.47	\$4.6	6.50%	\$721.2	\$46.9	\$51.5
California	\$2.51	\$170.0	7.25%	\$15,665.4	\$1,135.7	\$1,305.8
Colorado	\$0.67	\$6.1	2.90%	\$2,112.8	\$61.3	\$67.4
Connecticut	\$1.82	\$11.0	6.35%	\$1,396.3	\$88.7	\$99.7

¹¹ Talia Buford, "The Obscure Charges that Utility Companies Add to Your Bills," ProPublica (Oct. 21, 2019), <https://www.propublica.org/article/the-obscure-charges-that-utility-companies-add-to-your-bills>.

¹² *Id.*

¹³ *Id.*

State	Vehicle License Fee (VLF)	VLF Revenue (\$ mil)	Sales Tax Rate on Cars	Rental Fleet Purchases (\$ mil)	Sales Tax Exemption (\$ mil)	Total Subsidy (\$ mil)
Delaware	\$0.00	\$0.0	0.00%	\$394.3	\$0.0	\$0.0
District of Columbia	\$0.37	\$1.1	10%	\$710.3	\$71.0	\$72.2
Florida	\$2.70	\$76.0	6.00%	\$6,512.5	\$390.8	\$466.8
Georgia	\$1.22	\$17.8	7.00%	\$3,366.2	\$193.6	\$211.3
Hawaii	\$1.89	\$3.6	4.00%	\$440.9	\$15.4	\$19.0
Idaho	\$0.83	\$1.8	6.00%	\$491.5	\$29.5	\$31.3
Illinois	\$1.91	\$35.8	6.25%	\$4,333.5	\$270.8	\$306.6
Indiana	\$0.30	\$2.6	7.00%	\$2,011.8	\$140.8	\$143.4
Iowa	\$1.13	\$4.8	5.00%	\$976.5	\$48.8	\$53.6
Kansas	\$5.73	\$22.2	6.50%	\$895.2	\$58.2	\$80.4
Kentucky	\$1.95	\$9.4	6.00%	\$1,118.9	\$67.1	\$76.6
Louisiana	\$0.49	\$2.6	4.45%	\$1,247.1	\$55.5	\$58.1
Maine	\$2.58	\$4.2	5.50%	\$376.2	\$20.7	\$24.9
Maryland	\$0.52	\$4.7	6.00%	\$2,071.3	\$124.3	\$128.9
Massachusetts	\$2.85	\$36.7	6.25%	\$2,976.5	\$186.0	\$222.7
Michigan	\$1.23	\$14.3	6.00%	\$2,697.3	\$161.8	\$176.2
Minnesota	\$4.04	\$33.3	6.88%	\$1,906.7	\$131.1	\$164.4
Mississippi	\$0.00	\$0.0	5.00%	\$601.1	\$30.1	\$30.1
Missouri	\$2.87	\$21.4	4.23%	\$1,723.3	\$72.9	\$94.3
Montana	\$2.37	\$3.0	0.00%	\$288.9	\$0.0	\$3.0
Nebraska	\$0.00	\$0.0	5.50%	\$705.0	\$38.8	\$38.8
Nevada	\$2.18	\$9.4	6.85%	\$993.4	\$68.0	\$77.4
New Hampshire	\$4.48	\$9.0	0.00%	\$462.8	\$0.0	\$9.0
New Jersey	\$0.89	\$12.4	6.63%	\$3,229.4	\$214.1	\$226.5
New Mexico	\$0.72	\$1.7	4.00%	\$535.7	\$21.4	\$23.1
New York	\$0.00	\$0.0	4.00%	\$8,761.0	\$350.4	\$350.4
North Carolina	\$0.57	\$7.9	3.00%	\$3,204.0	\$96.1	\$104.0
North Dakota	\$2.52	\$3.1	5.00%	\$285.2	\$14.3	\$17.4
Ohio	\$0.61	\$9.3	5.75%	\$3,537.2	\$203.4	\$212.7
Oklahoma	\$0.00	\$0.0	4.50%	\$1,013.4	\$45.6	\$45.6
Oregon	\$1.41	\$7.7	0.50%	\$1,264.2	\$0.0	\$7.7
Pennsylvania	\$0.00	\$0.0	6.00%	\$3,913.4	\$234.8	\$234.8

State	Vehicle License Fee (VLF)	VLF Revenue (\$ mil)	Sales Tax Rate on Cars	Rental Fleet Purchases (\$ mil)	Sales Tax Exemption (\$ mil)	Total Subsidy (\$ mil)
Rhode Island	\$3.50	\$4.8	7.00%	\$315.1	\$22.1	\$26.8
South Carolina	\$2.75	\$15.9	5.00%	\$1,334.6	\$66.7	\$82.6
South Dakota	\$0.63	\$0.8	4.00%	\$286.0	\$11.4	\$12.2
Tennessee	\$0.00	\$0.0	7.00%	\$2,098.2	\$146.9	\$146.9
Texas	\$2.26	\$101.0	6.25%	\$10,338.2	\$646.1	\$747.2
Utah	\$0.92	\$4.6	6.35%	\$1,150.1	\$73.0	\$77.6
Vermont	\$0.00	\$0.0	6.00%	\$174.8	\$10.5	\$10.5
Virginia	\$0.34	\$4.3	4.15%	\$2,917.8	\$121.1	\$125.4
Washington	\$0.93	\$13.1	6.80%	\$3,259.9	\$221.7	\$234.8
West Virginia	\$1	\$2.5	6.00%	\$410.8	\$24.6	\$27.1
Wisconsin	\$0.96	\$7.2	5.00%	\$1,727.2	\$86.4	\$93.5
Wyoming	\$1.75	\$1.5	4.00%	\$201.5	\$8.1	\$9.6
TOTAL		\$756.8		\$110,755.1	\$6,269.1	\$7,025.9

Research & Data Notes:

- 1) Total 2024 rental revenue of \$37.833 billion, from p.10 at [Auto Rental News 2025 Fact Book](#).
- 2) With an average holding period of 12 months, annual fleet purchases equals the average fleet size in 2024, 2,276,850. See [Auto Rental News 2025 Fact Book](#).
- 3) VLF rates reflect Hertz and Enterprise reported rates for a Chevrolet Malibu.
- 4) Revenue and Fleet Purchases allocated to states according to each state's share of U.S. 2024 GDP, provided by the U.S. Bureau of Economic Analysis, at <https://www.bea.gov/data/gdp/gdp-state>
- 5) Rental Car Fleet Purchases equals rental-car industry new fleet purchases for 2024 times average price of a new car in 2024: \$48,644, as reported by Kelly Blue Book, at <https://www.kbb.com/car-news/average-new-car-price-held-steady-in-june/>
- 6) State Car Sales Tax numbers provided by Factory Warranty List, <https://www.factorywarrantylist.com/car-tax-by-state.html>. Some states have state-imposed **and** additional county or city sales tax on motor vehicle purchases.
- 7) In Georgia, individuals pay a 7% TAVT on new vehicles, but rental-car companies pay only 1.25%, meaning these companies receive a tax subsidy of 5.75%, as noted in the table. <https://law.justia.com/codes/georgia/2014/title-48/chapter-5c/section-48-5c-1/>
- 8) Hawaii gives a partial exemption from GST (pay wholesale rate of 0.5% instead of 4%). Estimated payment by rental car companies is \$2.2M. https://files.hawaii.gov/tax/legal/tir/1990_09/tir95-5.pdf
- 9) North Dakota gives no exemption from Sales Tax. However, rental car companies recover sales tax paid from the rental excise tax collected. Excess rental car excise tax is remitted to the state. VLF is included in Rental Car Excise Tax. <https://ndlegis.gov/cencode/t57c40-3.pdf>
- 10) Oregon gives no exemption from Sales Tax (Sec. 320.410). Estimated payment by rental car companies is \$6.3M. https://www.oregonlegislature.gov/bills_laws/ors/ors320.html