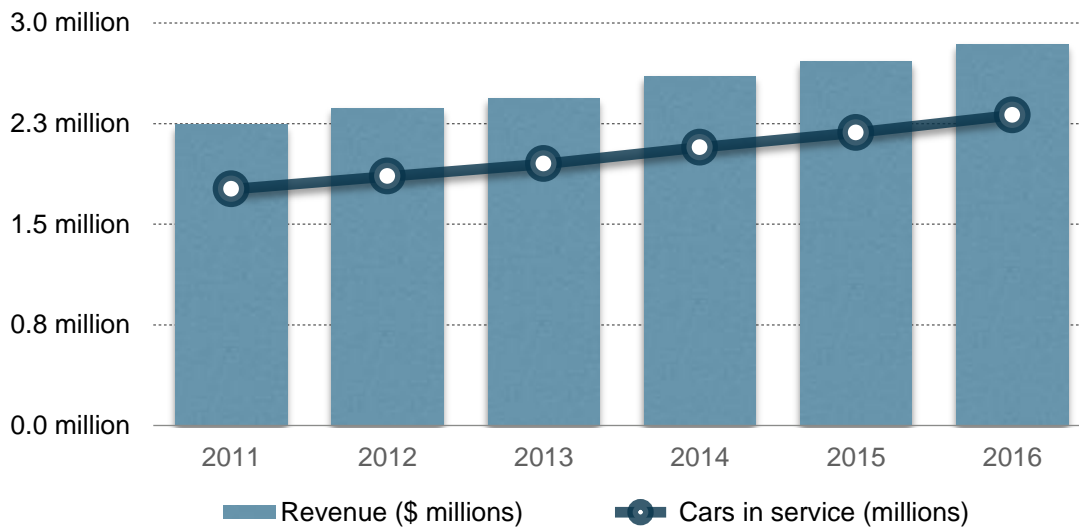


Big rental car companies want car sharing services to get equal tax and regulation — *but are states ready to expand the \$3 billion in annual tax subsidies they now give to ‘Big Rental’?*

Travelers are renting more cars than ever, and Americans are increasingly renting special-purpose vehicles to meet their special needs. As this chart shows, the U.S. rental car market is growing at over 5.6 percent per year. The big rental car companies are expanding their fleets and adding new locations, too.

The US Rental Car Market is Growing at 5.6% per year



But are big rental car fleets the *only* alternative for consumers who want to drive a great car, truck, or RV for temporary use?

And are the big rental car companies the only Americans who should be allowed to earn income by occasionally renting vehicles they own?

The answer to both these questions is a resounding **No**.

Online car sharing platforms help American car owners earn extra income

The secret sauce of the American economy is how we create and enable the *next big thing*. From mass-production manufacturing in the last century, through astounding innovation in computing and telecommunications, to all those new services enabled by the Internet, America has led the world.

Now, it's time for America to lead the world in helping people earn income through the **Peer-to-Peer Economy** (P2P). P2P is enabled by online platforms like **Airbnb**, where guests find homes and rooms to rent; **Lyft** and **Thumbtack**, where workers link with customers who need their services; or **eBay** and **Etsy**, where people who make or acquire unique items can find buyers across the country and around the world.

American homeowners and travelers are familiar with P2P home-sharing, through platforms like **Airbnb** and **HomeAway**. Now, online platforms like **Turo** and **GetAround** are starting to help Americans earn extra income from their own cars, too.

These platforms connect car owners with tourists, visitors, and local drivers looking for a more interesting car, a more personalized experience, and a better deal than the big rental car companies offer. Car owners around the country have listed nearly 900 different makes and models available for sharing through the Turo platform.

The car sharing platforms typically arrange for an insurance partner to provide generous coverage to car owners and their guests, along with 24/7 roadside assistance. And to help with tax compliance, Turo provides reports to car owners to help them file income tax returns, while reminding car owners to add any applicable local sales tax to their prices.

Car sharing should be a great way for many Americans to earn extra income while saving money for consumers, **but not if the big rental car companies get their way.**

Big rental car conglomerates are re-hashing a strategy that has been tried time and again by entrenched monopolies. The taxicab industry fought to block ride sharing services, and the hotel industry mounted a multi-million-dollar lobbying campaign to keep homeowners from sharing their homes. But in these cases, competition and consumer choice are winning the day.

Big rental car companies feel threatened and want to drive car owners who use the benefits of car sharing off the road

The new car sharing platforms have just a tiny presence compared to the big rental car companies, as seen in the graphic below. But the big rental car companies are already clamoring for tax and regulatory barriers to crush this potential competition and protect their profits.

Relative Share of Car Rental and Car Sharing Markets (2016)



The big rental car companies want state and local governments to regulate and tax an individual car owner who shares her car for just a few days or weeks a year. And they want to regulate the P2P car sharing platforms as if they were full-fledged rental car companies – even though these platforms don’t own a fleet of cars, and don’t have rental desks or parking lots in airports or at train stations.

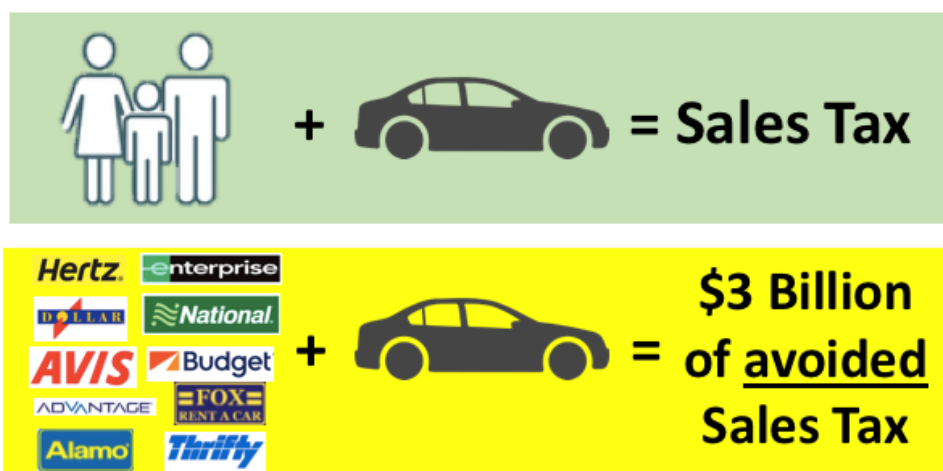
The truth is, these P2P platforms and Americans who share their cars are nowhere close to being rental car companies. One proof of this is how the big rental car companies have secured sales tax exemptions for their large-scale business model, as explained below.

Big rental car companies have secured \$3 billion in annual sales tax exemptions

Nearly all states with a sales tax completely forgive big rental car companies of any obligation to pay sales tax when they buy new cars for their rental fleets.

But individual consumers *always* pay their sales tax when *they* buy and register a new car. That's true even when an owner plans to occasionally share that car with others through peer-to-peer car-sharing platforms.

The big rental car companies, on the other hand, have secured special exemptions allowing them to avoid **\$3.2 billion** in sales taxes annually – when they buy new cars for their fleets.



Regular taxpayers, including car owners who list their cars on P2P platforms like Turo, are subsidizing big rental car companies

Regular taxpayers get no such exemption when they buy a new car, even when they intend to share that car. This is because states already recognize there's a big difference between a big car rental company and an ordinary citizen who uses an online platform to share their car with others.

The table below shows the amount of avoided sales tax in each state for 2016, totaling **\$3.2 billion** in avoided sales tax on cars they buy for their fleets.

There are many other tax incentives and airport resources that states and cities provide to rental car companies, too.

Over the last decade, Enterprise, Avis, Budget, and Hertz have together snagged over \$100 million in federal and state tax credits and grants. All of this is at the expense of regular taxpayers, who get no such tax breaks when they buy a car for their own use and for sharing with others.

The prevalence of state sales tax exemptions for big rental companies shows clearly that big rental car businesses are fundamentally different from online car sharing platforms and the individual car owners they serve.

The fact is, car sharing websites are not rental car companies. This difference should help lawmakers say **No** when rental industry lobbyists say that Turo and GetAround should be taxed and regulated as if they were rental car companies.

The bottom line

The peer-to-peer sharing economy can connect parts of American society that seem at odds today: the engineers and entrepreneurs who develop the technology; and those who feel as if tech innovation has left them behind and that automation is diminishing their job prospects.

But the potential economic opportunities of P2P sharing won't be realized by *any* Americans – if large and established businesses can use taxation and regulation as a barrier to competition, choice, and innovation.

Lawmakers can appreciate the difference between big rental car companies and individual car owners who use online websites to share their cars with consumers. And that could make all the difference in ensuring this economic opportunity and consumer value is available to all Americans.

Big car rental companies avoid sales tax in nearly every state, totaling \$3.2 billion in 2016 alone

| State | Annual Purchases for Rental Car Fleets (\$ millions) | Sales Tax Rate for Cars | Rental Car Sales Tax Exemption (\$ millions) |
|------------------|--|-------------------------|--|
| Alabama | \$706.3 | 2.50% | 17.7 |
| Arkansas | \$1,020.4 | 6.50% | 66.3 |
| Arizona | \$421.0 | 5.60% | 23.6 |
| California | \$7,742.6 | 7.25% | 561.3 |
| Colorado | \$1,048.0 | 2.90% | 30.4 |
| Connecticut | \$978.5 | 6.35% | 62.1 |
| Dist of Columbia | \$426.7 | 6.00% | 25.6 |
| Florida | \$3,021.2 | 6.00% | 181.3 |
| Iowa | \$591.8 | 5.00% | 29.6 |
| Idaho | \$226.4 | 6.00% | 13.6 |
| Illinois | \$2,657.6 | 7.50% | 199.3 |
| Indiana | \$1,156.5 | 7.00% | 81.0 |
| Kansas | \$521.9 | 6.50% | 33.9 |
| Kentucky | \$676.5 | 6.00% | 40.6 |
| Massachusetts | \$1,572.9 | 6.25% | 98.3 |
| Maryland | \$1,209.7 | 6.00% | 72.6 |
| Maine | \$210.9 | 5.50% | 11.6 |
| Michigan | \$1,579.0 | 6.00% | 94.7 |
| Minnesota | \$1,115.6 | 6.50% | 72.5 |
| Missouri | \$990.5 | 4.23% | 41.9 |
| North Carolina | \$1,754.3 | 3.00% | 52.6 |

| State | Annual Purchases for Rental Car Fleets (\$ millions) | Sales Tax Rate for Cars | Rental Car Sales Tax Exemption (\$ millions) |
|----------------|--|-------------------------|--|
| North Dakota | \$150.8 | 5.00% | 7.5 |
| Nebraska | \$368.9 | 5.50% | 20.3 |
| New Jersey | \$1,990.9 | 6.85% | 136.3 |
| New Mexico | \$326.5 | 3.00% | 9.8 |
| Nevada | \$500.8 | 6.85% | 34.3 |
| New York | \$4,859.4 | 4.00% | 194.4 |
| Ohio | \$1,953.9 | 5.75% | 112.3 |
| Oklahoma | \$604.7 | 3.25% | 19.7 |
| Pennsylvania | \$2,348.4 | 7.00% | 164.4 |
| Rhode Island | \$201.8 | 7.00% | 14.1 |
| South Carolina | \$673.8 | 5.00% | 33.7 |
| South Dakota | \$164.4 | 4.00% | 6.6 |
| Tennessee | \$1,052.9 | 3.50% | 36.9 |
| Texas | \$5,028.0 | 6.25% | 314.2 |
| Utah | \$466.4 | 4.70% | 21.9 |
| Virginia | \$1,734.7 | 4.15% | 72.0 |
| Vermont | \$105.4 | 6.00% | 6.3 |
| Washington | \$1,383.2 | 6.50% | 89.9 |
| Wisconsin | \$1,017.4 | 5.43% | 55.2 |
| West Virginia | \$270.6 | 6.00% | 16.2 |
| Wyoming | \$159.5 | 4.00% | 6.4 |
| Total | \$59,782.2 | | \$3,183.0 |

Notes

2016 revenue and fleet cars data at <http://www.autorentalnews.com/fileviewer/2451.aspx>

Average holding period of 13 months, per

<https://www.fool.com/investing/general/2012/07/13/surprising-facts-about-the-rental-car-industry.aspx>

Assumes average new car purchase cost of \$28,000.

Car sales tax by state at <http://www.factorywarrantylist.com/car-tax-by-state.html>

Other subsidy data from <https://www.goodjobsfirst.org/subsidy-tracker>