

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB749

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Cosgrove

3. Committee: Commerce and Labor

4. Title: Peer-to-peer vehicle sharing platforms; regulation; insurance; taxation.

5. Summary: Establishes taxation, insurance coverage, sale of insurance, disclosure, safety recall, airport operation, and recordkeeping requirements for peer-to-peer vehicle sharing platforms, as defined in the bill. This bill would require peer-to-peer vehicle sharing platforms that would qualify as dealers under the marketplace facilitator provisions of the sales tax laws to collect and remit all of the Motor Vehicle Rental Taxes due on peer-to-peer shared vehicle rental transactions. The bill would prohibit the owners of peer-to-peer shared vehicles from collecting and remitting the taxes due on transactions for which the peer-to-peer shared vehicle platform would be required to collect. Under current law, peer-to-peer vehicle sharing transactions are subject to the Motor Vehicle Rental Tax at the same 10 percent total rate as all other motor vehicles offered for rent in the Commonwealth.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: Preliminary. See Item 8.

8. Fiscal Implications: The Department of Taxation, the State Corporation Commission and the Department of Motor Vehicles do not anticipate any fiscal implications to their operations because of this legislation.

This bill would result in an unknown positive impact to state and local revenues. The amount of the impact is unknown due to an unavailability of data on the industry.

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles, Department of Taxation, State Corporation Commission

10. Technical Amendment Necessary: No

11. Other Comments:

Motor Vehicle Rental Tax

The Motor Vehicle Rental Tax is levied on motor vehicles with a gross vehicle weight rating or gross combined weight rating of 26,000 pounds or less at a rate of four percent of the

gross proceeds. An additional motor vehicle rental tax is imposed on the rental of every daily rental vehicle regardless of the weight, except for motorcycles and manufactured homes, at a rate of four percent of the gross proceeds. A two percent rental fee is also levied on the gross proceeds from the rental of daily rental vehicles, except for motorcycles and manufactured homes. Most passenger vehicles that are rented are subject to both the taxes and the fee at a combined rate of ten percent of the gross proceeds.

The revenues from the vehicle rental tax of four percent that is imposed on motor vehicles with a gross vehicle weight rating or gross combined weight rating of 26,000 pounds or less are dedicated to the Rail Enhancement Fund and the Transportation Trust Fund. The revenues from the additional vehicle rental tax imposed on the rental of every motor vehicle at the rate of four percent are distributed quarterly to the city, town, or county where the vehicle was delivered to the rentee. The revenues from the two percent vehicle rental fee are dedicated to pay the debt service on bonds issued for the Statewide Agencies Radio System.

Collection of the Motor Vehicle Rental Tax

Motor Vehicle Rental Taxes are currently to be paid by the person renting the vehicle, and collected and remitted by the “rentor” of such vehicles. The rentor under current law is the person engaged in the rental of a motor vehicle for consideration. This is generally the rental car company that owns and rents the car to the customer or, for peer-to-peer rentals, the owner of a peer-to-peer shared vehicle.

Pursuant to 2019 Acts of Assembly, Chapters 815 and 816, marketplace facilitators that have sufficient contact with Virginia must collect taxes on the transactions facilitated through their marketplaces. A marketplace facilitator is a person or entity that contracts with marketplace sellers to facilitate, for consideration, the sale of such marketplace seller’s products through a physical or electronic marketplace operated by the facilitator. Marketplace facilitators may establish sufficient contact with Virginia as to require the collection of taxes on their facilitated transactions by facilitating retail sale transactions to Virginia customers generating more than \$100,000 in annual gross revenue or numbering 200 or more separate transactions annually.

As this bill incorporates the current marketplace facilitator standard, a peer-to-peer vehicle sharing marketplace that facilitates retail sale transactions, including peer-to-peer vehicle rentals, to Virginia customers generating more than \$100,000 in annual gross revenue or numbering 200 or more separate transactions annually would have to collect the Motor Vehicle Rental Tax on the transactions it facilitates.

Peer-to-Peer Vehicle Sharing Study

The Department of Motor Vehicles conducted a Peer-to-Peer Vehicle Sharing Study in 2019 to determine the appropriate way to handle registration, insurance, and taxation of the peer-to-peer vehicle sharing industry. The stakeholders that took part in the study discussed the possibility of a different tax regime for peer-to-peer vehicles to account for the different local tax consequences for peer-to-peer vehicles upon which personal property tax is levied as

opposed to vehicles that are commercially rented and upon which no personal property tax is due. The stakeholders were unable to reach a consensus on the taxation issue.

Similar Legislation

House Bill 892 and Senate Bill 750 contain Motor Vehicle Rental Tax provisions that are identical to this bill.

House Bill 1539 would impose a six percent tax, collectible only by peer-to-peer platforms that qualify as dealers, on peer-to-peer shared vehicles.

Senate Bill 735 would impose a four percent tax, collectible only by peer-to-peer platforms that qualify as dealers, on peer-to-peer shared vehicles.

House Bill 891 is identical to this bill.