

Department of Planning and Budget 2020 Fiscal Impact Statement

1. Bill Number: SB735

House of Origin	<input type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input type="checkbox"/>	Substitute	<input checked="" type="checkbox"/>	Enrolled

2. Patron: Newman

3. Committee: Passed both houses

4. Title: Peer-to-peer vehicle sharing platforms.

5. Summary: Establishes insurance, taxation, recordkeeping, disclosure, and safety recall requirements for peer-to-peer vehicle sharing platforms, defined in the bill. Imposes a tax upon peer-to-peer vehicle sharing in the Commonwealth as part of the Motor Vehicle Rental Tax. For vehicle owners listing no more than ten vehicles on any combination of peer-to-peer vehicle sharing platforms at any given time, from July 1, 2020, to June 30, 2021, the tax levied would be 6.5 percent of the gross proceeds from the sharing of the vehicle, with the tax increasing to seven percent beginning July 1, 2021. If and for so long as a vehicle owner lists more than ten vehicles at any given time, the full ten percent Motor Vehicle Rental Tax currently levied on motor vehicles and daily rental vehicles would be due. The bill would also provide that the taxes due on peer-to-peer vehicle sharing are to be collected by peer-to-peer vehicle sharing platforms that qualify as marketplace facilitators or the vehicle owner but the vehicle owner may not collect the tax where the sharing platform facilitating the transaction qualifies as a marketplace facilitator. 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: Final. See Item 8.

8. Fiscal Implications:

Administrative Costs

As a result of this bill, the Department of Taxation would incur costs of \$510,000 in fiscal year 2020 and \$142,000 in fiscal year 2021 for developing new forms, locality schedules, and systems changes related to the new tax. No budget amendment is necessary because the Department of Taxation currently has the authority to recover its costs of its administration of the Motor Vehicle Rental Tax.

The State Corporation Commission and the Department of Motor Vehicles do not anticipate any fiscal implications to their operations because of this legislation.

Revenue Impact

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

After the Department of Taxation has recovered the direct costs of administering the tax, beginning July 1, 2020, and ending June 30, 2021, the bill would allocate an amount equal to a 2.5 percent tax, and beginning July 1, 2021, an amount equal to a three percent tax, to the locality where the vehicle was delivered to the rentee. The bill would also allocate an amount equal to a four percent tax two-thirds to the Rail Enhancement Fund, and one-third to the Washington Metropolitan Area Transit Authority (WMATA) Capital Fund. For transactions where the full ten percent Motor Vehicle Rental Tax is levied, the distribution of revenues would be the same as under current law.

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

- 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.

Peer-to-Peer Shared Vehicles

Peer-to-peer shared vehicles are vehicles owned by individuals that are offered for daily rental via vehicle sharing platforms operated through websites or online applications. This type of rental is an alternative to commercial vehicle rental companies that have traditionally comprised the bulk of the vehicle rental industry. Both peer-to-peer shared vehicles and

commercially owned rental vehicles are currently subject to the full ten percent Motor Vehicle Rental Taxes. However, compliance within the peer-to-peer rental industry is extremely low.

Collection of the Motor Vehicle Rental Tax

The Department of Taxation notes that 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.

In order to qualify as a dealer for the Retail Sales and Use Tax, a marketplace facilitator must conduct retail sale transactions to Virginia customers generating more than \$100,000 in annual gross revenue or numbering 200 or more separate transactions annually. Remote sellers that conduct rather than facilitate sales meeting the same thresholds are also deemed to be dealers. This bill would require peer-to-peer sharing platforms that meet the marketplace facilitator activity and sales substantiality requirements to collect the taxes due on transactions they facilitate whether those taxes are the 6.5/7.0 percent reduced rate or full ten percent Motor Vehicle Rental Taxes.

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.