

**Rental Car fee/tax increase proposal
2015/16 legislative session**

During the 2015 legislative session the Governor's proposed budget requested that 15% of the annual rooms and meals tax revenue growth above projection with a cap of \$750,000 would be applied to the Vermont Department of Tourism & Marketing and used for State tourism marketing purposes. While this proposal had support from both the industry and many members of the legislature it was ultimately unsuccessful.

For the 2015 legislative session the Vermont Department of Tourism & Marketing is considering the proposition of a different model. The Department is interested in evaluating the application of a 1% or 1.5% increase in fees on rental cars and applying the new revenue for tourism marketing. These funds would be used to target distant domestic markets that are currently not included in Vermont's marketing strategy due to budgetary constraints. These markets are a great opportunity for increasing Vermont's overall tourism industry. Implementing a new source of funding to supplement the departments current marketing budget would allow for Tourism to go into new markets without drawing down funds from other sources.

This proposal would raise funds from a sector of Vermont's economy and invest those funds in a relevant program within statewide government in an effort to increase tourism spending within Vermont.

The current Vermont vehicle rental tax rate in Vermont is 9%. In 2013, the dollar volume for car rentals subject to tax was about \$40 million generating \$3.6 million in tax revenue. A 1% tax increase for rental cars would generate \$400,000 for tourism marketing, a 1.5% increase would generate \$600,000. Below is an estimate of Vermont's car rental sector in comparison to the U.S. average.

	Units	Locations	Receipts	Tax Revenue*
U.S.	2,073,311	21,498	\$26.127B	
Vermont	3174	14	\$38.8 mil	\$3.6 mil

* Rental Car taxation among the states is too varied to make reasonable estimate.

tourism + marketing + VT Life purchase paid for rental

RENTAL CAR TAXES

3/18/2015

Allison Hiltz

Planning to rent a car? Don't be surprised if it costs more than you anticipated.

The final bill for a typical short-term rental car contains more hidden costs than many travelers realize.

In total, more than 40 states levy a charge on rental cars, either by imposing an additional tax, daily fee, or both. At least 15 states authorize local governments to impose their own taxes or fees and rental car companies add on charges for off-site rentals, airport fees, and insurance coverage. As states grapple with budget cuts and seek to raise revenues, rental car taxes that are perceived as targeting visitors are more palatable than other options.

Combined state and local rental and sales taxes (not including miscellaneous fees) can add up quickly, though, with rates ranging from less than 2 percent to more than 19 percent, the latter of which can cause sticker shock for visitors to the state.

Below is a state-by-state comparison of state rental car taxes.

Note: This table accompanies the April LegisBrief, "Rental Car Taxes."

STATE-BY-STATE COMPARISON OF RENTAL CAR TAXES

State	Car Tax Rate	Source
Alabama	1.5%	Alabama Department of Revenue
Alaska	10%	Alaska Stat. §43.52.020
Arizona	5%	Arizona Department of Transportation
Arkansas	10%	Arkansas Department of Finance and Administration
California	None	N/A
Colorado	\$2/day	Colorado Department of Transportation
Connecticut	3% plus \$1/day	Conn. Gen. Stat. §12-666 and Conn. Gen. Stat. §12-692
Delaware	1.9914%	Del. Code Ann. tit. 30 §4302
District of Columbia	10%	DC Office of the Chief Financial Officer
Florida	\$2/day	Fla. Stat. Title XIV §212.0606
Georgia	N/A	N/A
Hawaii	\$3/day	Hawaii Rev. Stat. §18-251-2
Idaho	None	N/A
Illinois	5%	(35 ILCS 155/3)
Indiana	4%	Indiana Department of Revenue
Iowa	5%	Iowa Department of Revenue
Kansas	3.5%	Kansas Department of Revenue
Kentucky	6%	Ky. Rev. Stat. §138.460
Louisiana	N/A	N/A
Maine	10%	Maine Revenue Services
Maryland	11.5%	Maryland Manual On-Line
Massachusetts	N/A	N/A
Michigan	6%	Michigan Department of Treasury
Minnesota	9.2% + 5% fee	Minnesota Department of Revenue
Mississippi	6%	Miss. Code Ann. §27-65-231
Missouri	4%	Mo. Rev. Stat. §144.020.1
Montana	4%	Mont. Code Ann. §15-68-102
Nebraska	N/A	N/A
Nevada	10%	Department of Taxation
New Hampshire	9%	Department of Revenue Administration
New Jersey	\$5/day	Department of the Treasury

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Luke Martel

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State	Car Tax Rate	Source
New Mexico	5% ("Leased") + \$2/day	N.M. Stat. Ann. §7-14A-3 and N.M. Stat. Ann. §7-14A-3.1
New York	6%	The New York State Department of Taxation and Finance Bulletin Tax ST-825
North Carolina	8%	Department of Revenue
North Dakota	3%	North Dakota Office of State Tax Commissioner
Ohio	No	Ohio Department of Taxation
Oklahoma	6%	Oklahoma Tax Commission
Oregon	No	N/A
Pennsylvania	2% + \$2/day	Pennsylvania Department of Revenue re: daily fee and Pennsylvania Department of Revenue re: tax
Rhode Island	8%	R. I. Gen. Laws §1-34.1-2
South Carolina	5% surcharge	S.C. Code Unann. §56-31-50
South Dakota	4.5%	S.D. Codified Laws §32-5B-20
Tennessee	3%	Tennessee Department of Revenue
Texas	10%	Texas Comptroller of Public Accounts
Utah	2.5%	Utah Code §59-12-1201
Vermont	9%	Vermont Department of Motor Vehicles
Virginia	10%*	Virginia Department of Taxation
Washington	5.9%	Washington State Department of Revenue
West Virginia	\$1-\$1.50/day	W. Va. Code §17A-3-4
Wisconsin	5% fee	Wisconsin Department of Revenue
Wyoming	4% surcharge	Wyo. Stat. §31-19-105

*(lower rates
have additional
fees not
reflected in
chart
\$3.6 mill?)*

1. Includes rental tax, rental fee, and local tax administered by Virginia Department of Taxation
2. Chart reflects state tax rates only. Does not include local, airport, or sales taxes.

Source: NCSL 50-state search for relevant statutes and agency websites.

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