

SUBJECT: Imposing certain tax obligations on marketplace rental providers

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: *After recommitted:*

8 ayes — Burrows, Guillen, Murphy, Noble, E. Rodriguez, Sanford, Shaheen, Wray

0 nays

3 absent — Bohac, Cole, Martinez Fischer

0 present not voting

WITNESSES: *March 20 public hearing:*

For — Don Schwent, Enterprise Holdings; (*Registered, but did not testify:* Melissa Shannon, Bexar County Commissioners Court; David Garcia, Cameron County; Jon Weist, City of Irving; Christine Wright, City of San Antonio; Amanda Schar, Harris County-Houston Sports Authority; John Kroll, HMWK LLC and clients of the firm; Bill Kelly, City of Houston Mayor's Office; Larry Gaddes, Tax Assessor-Collectors Association of Texas; Shanna Igo, Texas Municipal League; Jim Sheer, The Hertz Corporation)

Against — None

On — Karey Barton, Comptroller of Public Accounts; Nicholas Green, Getaround; (*Registered, but did not testify:* Robert Zeman, Allstate; David Edmonson, TechNet; Jeremiah Kuntz, Texas Department of Motor Vehicles; Caroline Joiner, Turo)

BACKGROUND: Tax Code ch. 152 requires an owner who rents a motor vehicle for consideration to collect, report, and remit to the comptroller a tax on gross rental receipts.

Local Government Code ch. 334 allows a municipality or county to

impose by ordinance or order a tax on an owner's rental of a motor vehicle in the municipality or county.

DIGEST:

CSHB 2872 would set out the obligations of marketplace rental providers and motor vehicle owners with regard to the collection, reporting, and payment of state and local taxes on the rental of motor vehicles through such providers.

**Marketplace rental providers.** The bill would define a marketplace rental provider as a person who:

- operated a marketplace by which an owner advertised the rental of a motor vehicle for consideration in this state;
- facilitated the rental of the motor vehicle by communicating between the owner and the other person the terms and acceptance of the agreement; and
- collected or processed for the owner the receipts of rental charges paid by the person renting the motor vehicle.

A marketplace rental provider would be required to register as a retailer with the comptroller.

**Taxes.** A marketplace rental provider would be required to collect, report, and pay state and local tax on the rental of a motor vehicle through the provider, unless the motor vehicle's owner had elected to do so. Such marketplace rental providers generally would be subject to the same collection, reporting, payment, and record-keeping requirements that currently apply to owners with regard to state and local motor vehicle rental taxes.

A marketplace rental provider collecting, reporting, and paying such taxes would be required to certify having done so to the motor vehicle's owner. An owner accepting in good faith the provider's certification would not be required to collect, report, or pay these taxes.

If the owner elected to report and pay state and local taxes, the owner would have to register with the comptroller as a retailer and inform the marketplace rental provider in writing of the election. The provider then would forward the tax collected by the provider to the owner.

**Reports.** A marketplace rental provider would be required to send to the motor vehicle's owner a monthly report that showed the amount of tax collected, reported and paid for each motor vehicle that the owner rented through the provider. The provider would not have to send the report to an owner who elected to report and pay the tax.

The bill would take effect September 1, 2019, and would apply to a rental agreement entered into on or after this date.

NOTES:

According to the Legislative Budget Board, the bill would have a positive impact of \$757,000 to general revenue related funds through fiscal 2020-21.

CSHB 2872 was reported favorably as substituted from the House Committee on Ways and Means on April 3, placed on the General State Calendar for April 23, recommitted to committee, and reported favorably as substituted on April 24.