

**The Florida Senate**  
**BILL ANALYSIS AND FISCAL IMPACT STATEMENT**

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Commerce and Tourism

**BILL:** CS/SB 140  
**INTRODUCER:** Transportation Committee and Senator Braynon  
**SUBJECT:** Rental Car Sales and Use Tax Surcharge  
**DATE:** March 1, 2013      **REVISED:** \_\_\_\_\_

|    | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION             |
|----|---------|----------------|-----------|--------------------|
| 1. | Price   | Eichin         | TR        | <b>Fav/CS</b>      |
| 2. | Smith   | Hrdlicka       | CM        | <b>Pre-meeting</b> |
| 3. |         |                | AFT       |                    |
| 4. |         |                | AP        |                    |
| 5. |         |                |           |                    |
| 6. |         |                |           |                    |

**Please see Section VIII. for Additional Information:**

- |                              |                                     |   |
|------------------------------|-------------------------------------|---|
| A. COMMITTEE SUBSTITUTE..... | <input checked="" type="checkbox"/> | Statement of Substantial Changes        |
| B. AMENDMENTS.....           | <input type="checkbox"/>            | Technical amendments were recommended   |
|                              | <input type="checkbox"/>            | Amendments were recommended             |
|                              | <input type="checkbox"/>            | Significant amendments were recommended |

**I. Summary:**

CS/SB 140 defines the term “car-sharing service” and exempts the provision of vehicles to individuals by entities meeting the definition from the rental car surcharge.

This bill amends section 212.0606(4), F.S.

**II. Present Situation:**

**Rental Car Surcharge**

Section 212.0606(1), F.S., imposes a surcharge of \$2.00 per day or any part of a day upon the lease or rental of a motor vehicle licensed for hire and designed to carry less than nine passengers, regardless of whether such vehicle is licensed in Florida. The surcharge is included in the lease or rental price on which sales tax is computed and must be listed separately on the invoice. Businesses that collect the rental car surcharge are required to report surcharge collections by county, attributing the surcharge to the county where to rental agreement was made.

The surcharge applies to only the first 30 days of the term of any lease or rental, whether or not the vehicle is licensed in Florida. If the rental or lease of a vehicle is for longer than 30 days, only the first 30 days are subject to the surcharge. If the lease is renewed, the first 30 days of the renewed lease is subject to the surcharge. If payment for the lease or rental of a motor vehicle is made in Florida, the surcharge applies. The surcharge is not imposed on leases or rentals to tax-exempt entities holding a valid Consumer’s Certificate of Exemption.<sup>1</sup> Section 212.0606(4), F.S., exempts from payment of the surcharge a motor vehicle provided at no charge to a person whose motor vehicle is being repaired, adjusted, or serviced by the entity providing the replacement motor vehicle.

After deduction for administrative fees, the rental car surcharge is distributed as follows:

- 80 percent of the surcharge to the State Transportation Trust Fund (STTF);
- 15.75 percent of the surcharge to the Tourism Promotional Trust Fund; and
- 4.25 percent of the surcharge to the Florida International Trade and Promotion Trust Fund.

The proceeds of the rental car surcharge deposited into the STTF are allocated to each Florida Department of Transportation (FDOT) district for transportation projects, based on the amount of proceeds collected in the counties within each respective district. Rental car surcharge revenues reported by the Department of Revenue (DOR) for each of the seven FDOT districts for fiscal year 2011-2012 are as follows:<sup>2</sup>

| District | FY 2011-2012  | Share  |
|----------|---------------|--------|
| 1        | \$14,445,868  | 9.64%  |
| 2        | \$8,108,404   | 5.41%  |
| 3        | \$7,731,925   | 5.16%  |
| 4        | \$32,726,540  | 21.84% |
| 5        | \$41,397,895  | 27.63% |
| 6        | \$27,931,163  | 18.64% |
| 7        | \$17,473,633  | 11.66% |
|          |               |        |
| Total    | \$149,815,428 |        |

**For-Hire Vehicles**

With limited exception, offering for lease or rent any motor vehicle in the State of Florida qualifies the vehicle as a “for-hire vehicle” under s. 320.01(15)(a), F.S.:

<sup>1</sup> Section 212.08, F.S., Fla. Admin. Code 12A-1-.038.

<sup>2</sup> Bob McKee (Department of Revenue) letter to Jesse Atkinson (Department of Transportation), letter detailing rental car surcharge revenue distribution, (August 14, 2012), (on file with the Senate Commerce and Tourism Committee).

“For-hire vehicle” means any motor vehicle, when used for transporting persons or goods for compensation; let or rented to another for consideration; offered for rent or hire as a means of transportation for compensation; advertised in a newspaper or generally held out as being for rent or hire; used in connection with a travel bureau; or offered or used to provide transportation for persons solicited through personal contact or advertised on a “share-expense” basis. When goods or passengers are transported for compensation in a motor vehicle outside a municipal corporation of this state, or when goods are transported in a motor vehicle not owned by the person owning the goods, such transportation is “for hire.” The carriage of goods and other personal property in a motor vehicle by a corporation or association for its stockholders, shareholders, and members, cooperative or otherwise, is transportation “for hire.”

### **Car-Sharing Services**

Car-sharing is generally marketed as an alternative to conventional car rental and car ownership and now exists in a number of forms.

Traditional carsharing provides members access to a vehicle for short-term daily use. Automobiles owned or leased by a carsharing operator are distributed throughout a network; members access the vehicles with a reservation and are charged per time and often per mile....

Traditional carsharing is intended for short trips and as a supplement to public transit. Initial market entry in North America focused on the neighborhood carsharing model, characterized by a fleet of shared-use vehicles parked in designated areas throughout a neighborhood or municipality. In recent years, business models have advanced and diversified. Variations on the neighborhood model developed in North America include: business; college/university; government/institutional fleet; and public transit (carsharing provided at public transit stations or multi-modal nodes). Despite differences in target markets, these models share a similar organizational structure, capital ownership, and revenue stream.

The next generation of shared-use vehicle services, which provide access to a fleet of shared-use vehicles, incorporates new concepts, technologies, and operational methods. These models represent innovative solutions and notable advances. They include one-way carsharing and personal vehicle sharing. One-way carsharing, also known as “free-floating” carsharing, frees users from the restriction of having to return a vehicle to the same location from which it was accessed. Instead, users leave vehicles parked at any spot within the organization’s operating area, allowing for the possibility of one-way trips. The one-way model resembles more traditional forms of carsharing—except for the logistics of vehicle redistribution and the need for expanded vehicle parking.

Personal vehicle sharing ... represents a more distinct model due to differences in organizational structure, capital stock, and liability. Personal vehicle sharing

involves short-term access to privately-owned vehicles, enabling a lower operating cost and a wider vehicle distribution. ...<sup>3</sup>

While car sharing began at the local, grassroots level, car-sharing services are now also provided by conventional rental car companies, such as Avis, Enterprise, and Hertz.<sup>4</sup> A primary distinguishing characteristic between existing conventional rental car companies and car-sharing services is disbursement of vehicles throughout a service area and access to a vehicle through automated means.

Car-sharing provides a number of benefits. Aside from the renter's convenience (lower operating costs, ease of access, ability to obtain one-way sharing, etc.), use of shared vehicles can reduce overall vehicle ownership numbers, reducing damage to the roadways. Carsharing also facilitates use of other transportation modes, such as walking, biking, or public transit, leading to reductions in traffic, congestion, and parking demand in urban areas. Vehicle miles traveled and greenhouse gas emissions are reduced, thereby improving air quality.<sup>5</sup>

### **Rental Car Surcharge and Car-Sharing Services**

On September 17, 2012, the DOR issued Technical Assistance Advisement 12A-022 in which the question presented to DOR was whether a member based car-sharing service is subject to the Florida rental car surcharge. The facts presented to DOR were as follows:

Taxpayer [the car-sharing service] offers a member based car-sharing service with a fleet of vehicles available for use by registered members at any time of the day, seven days a week. A member can reserve a vehicle before use, or simply locate one and access it. Each use is labeled as a "trip" and can last up to four consecutive days. A unique feature of Taxpayer's car-sharing service is members may, and often do, use a car for a much shorter period of time than typical car rentals. According to Taxpayer, the typical trip lasts twenty-five to forty minutes, costing between \$7 and \$10 before taxes. Members are invoiced daily for all trips that occur and Taxpayer adds the rental car surcharge and sales tax to this invoice.<sup>6</sup>

Despite the taxpayer's assertion that it is not engaged in the "traditional" rental of cars, DOR concluded that the taxpayer is clearly renting cars, is engaged in the rental of motor vehicles and, therefore, the rental car surcharge does apply. However, DOR further concluded that because the taxpayer's members may make multiple trips in one day without executing any additional agreement and without any action required of the taxpayer, and because members are charged for every trip within the same twenty-four hour period on a single daily invoice, the rental car

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<sup>3</sup> Shaheen, Susan, Mark Mallery, and Karly Kingsley (2012). "Personal Vehicle Sharing Services in North America," *Research in Transportation Business & Management*, Vol. 3, pp.71-81.

<sup>4</sup> John Kell, *Avis to buy car-sharing service zipcar*, The Wall Street Journal, (January 2, 2013), available at: <http://online.wsj.com/article/SB10001424127887324374004578217121433322386.html>, (last visited February 26, 2013).

<sup>5</sup> *Supra* note 3 at pages 72-73.

<sup>6</sup> DOR Technical Assistance Advisement 12A-022.

“surcharge is due from Taxpayer’s members once a day, regardless of the number of trips taken by a member in a twenty-four hour period.”<sup>7</sup>

### III. Effect of Proposed Changes:

This bill amends s. 212.0606(4), F.S., to provide that the rental car surcharge does not apply to a motor vehicle provided to a person who is a registered member of a car-sharing service and who uses the motor vehicle for a single trip of a duration of 6 hours or less for a fee. The bill also defines “car-sharing service” to mean a business with pre-approved membership criteria requirements that provides the use of a motor vehicle through decentralized automated access for a limited time to registered members for a fee. As a result, a car-sharing service as defined in the bill will no longer collect the \$2.00 surcharge from a member, unless the member’s use of the vehicle exceeds 6-hours in duration.

### IV. Constitutional Issues:

#### A. Municipality/County Mandates Restrictions:

None.

#### B. Public Records/Open Meetings Issues:

None.

#### C. Trust Funds Restrictions:

None.

### V. Fiscal Impact Statement:

#### A. Tax/Fee Issues:

The Revenue Estimating Conference is scheduled to discuss the impact of this bill on March 1.

The bill provides that surcharge will not be collected by entities that qualify as a “car-sharing service” if a member uses a vehicle for 6 hours or less. As DOR currently collects \$2 within any 24-hour period, the result would likely be negative, but could result in a positive impact. For example, if one member uses a vehicle in excess of 6 hours, returns the vehicle, and then uses a vehicle a second time for more than 6 hours in the same 24-hour period, the result would be positive, as DOR would presumably collect \$4 within that 24-hour period. The fiscal impact is indeterminate.

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<sup>7</sup> To support its finding, DOR cited Fla. Admin. Code 12A-16.002(3)(b): “When the terms of a lease or rental agreement authorize the lessee to extend the lease or rental beyond the initial lease term without executing an additional lease or agreement and without any action on the part of the lessor, the extension period will not be considered a new lease or rental.”

**B. Private Sector Impact:**

Entities that qualify under the bill's definition as a "car-sharing service" will not collect the rental car surcharge from its members, unless the member uses the vehicle for more than 6 hours. Consumers participating in a car-sharing service who use the vehicle for less than 6 hours would no longer pay the \$2 surcharge.

**C. Government Sector Impact:**

The bill will have an indeterminate impact on the amount of distributions of rental car surcharge proceeds to the previously identified Trust Funds for their intended purposes.

The bill will have an insignificant impact on the operational resources of the Department of Revenue.<sup>8</sup>

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

DOR indicated in its analysis of CS/SB 140 that the phrase "single trip" could be further clarified. DOR recommended it be clarified that a "single trip" begins when the member unlocks the motor vehicle and drives away, and ends when the member returns the motor vehicle to an agreed upon car sharing location and terminates the rental period pursuant to the membership plan.<sup>9</sup>

**VIII. Additional Information:****A. Committee Substitute – Statement of Substantial Changes:**

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

**CS by Transportation on February 6, 2013:**

The CS exempts from payment of the \$2 rental car surcharge provision of a motor vehicle to a person who is a registered member of a car-sharing service *who uses the motor vehicle for a single trip of a duration of 6 hours or less* for a fee and defines "car-sharing service" to mean a business with pre-approved membership criteria requirements that provides the use of a motor vehicle *through decentralized automated access* for a limited time to registered members for a fee.

**B. Amendments:**

None.

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This Senate Bill Analysis does not reflect the intent or official position of the bill's introducer or the Florida Senate.

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<sup>8</sup> Department of Revenue, *Agency Bill Analysis: CS/SB 140*, (February 18, 2013), (on file with the Senate Commerce and Tourism Committee.)

<sup>9</sup> *Id.*