OP-ED: ABRAMS CONSULTING GROUP PRESIDENT NEIL ABRAMS

Car Rental Excise Taxes Proliferate At Alarming Rate

In my 32 years in the travel industry, the past 25 running a global consulting and research firm, I have not seen as dangerous and potentially damaging a trend as the proliferation of car rental excise taxes embraced by scores of municipalities and government agencies over the past several years. This practice of passing on the costs of local projects to car rental customers, many of whom do not reside in the communities where these projects are being built, is growing at a geometric and alarming rate.

How has this happened? Simple, it's easy money. Government bureaucrats are under increasing pressure to raise revenue to fund necessary local infrastructure projects and venues that would enhance the quality of life, create new jobs and generate new streams of tax dollars. These include stadiums, arenas, museums, art centers, convention centers and local transit systems. State and local government officials have found car rental customers the perfect pigeons to fund such local projects. Most rental customers fly in and fly out, having no ability to use or enjoy the projects they are funding. Best of all, the out-of-towners don't vote. It's taxation without representation.

William G. Gale of the Brookings Institute and Kim Rueben of the Urban Institute conducted in July 2006 another, more academic evaluation of the impact of this issue. Their report, "The Economic Effects of Rental Car Excise Taxes," concluded, "Piling taxes on car rental customers is, in general, both inefficient and inequitable. It is inefficient because it can distort choices people make regarding what mode of transportation they use. It is inequitable because it is unclear why users of one particular business or service should bear a disproportionate cost of financing government."

The most audacious example I have heard came from the state of Louisiana, which, in order to retain the New Orleans Saints football franchise, guaranteed a subsidy to the team owners to be paid out of tax dollars. However, as a result of a downturn in state tax revenues, Louisiana ran out of money for this subsidy. What did they do? They proposed a special-purpose car rental tax so that car renters from out of state can subsidize a local for-profit business entity, the Saints football team.

However, some potential relief is in sight in the form of legislation before the U.S. House of Representatives in the bill H.R. 2453. Introduced in May 2006 by Reps. Rick Boucher (D-Va.) and Chris Cannon (R-Utah), H.R. 2453 prohibits these onerous excise taxes from being levied against renters in a discriminatory fashion—meaning the purpose and/or use of the taxes provides no direct, obvious or material benefit to the individuals taxed.

An amazing, if not unprecedented coalition of businesses, associations and consumer groups have come together to support and promote passage of H.R. 2453. Not only have the eight major car rental brands joined forces, a significant feat unto itself, but so have the American Car Rental Association, National Business Travel Association, National Consumers' League, American Society of Travel Agents, and Truck Rental and Leasing Association. This powerful consortium, however, is not enough to assure enactment of this fair, appropriate and timely legislation. It will also require a grassroots effort from all individuals who know unfair, discriminatory tax policies when they see them. While there are powerful groups fighting hard to enact H.R. 2453, there are equally strong efforts to undermine it. That's why I call on all individuals directly or indirectly connected to the travel and transportation industries, and especially readers of this column, to call or write their local congressman in support of H.R. 2453. Every call helps. There may be little sympathy on Capitol Hill for an industry that will do close to $20 billion in revenue this year, but the impact on individual travelers, and voters, cannot be dismissed, especially when spoken collectively with a loud and clear message.

H.R. 2453 is not a panacea for this problem: The bill, if successfully passed, will stop new special-purpose rental taxes and surcharges going forward, but it is not retroactive. Almost 100 separate car rental taxes will remain, which will continue to drive up the cost of the car rental transaction, burdening, confusing and ultimately alienating the consumer (who, typically clueless about what these taxes are all about, shoots the messenger). However, we have to start somewhere, and H.R. 2453 is a good start.