Bill Number:	S. 0611 Introduced on March 8, 2023
Author:	Climer
Subject:	Peer-to-Peer Car Sharing
Requestor:	Senate Transportation
RFA Analyst(s):	Tipton, Griffith, and Bryant
Impact Date:	April 3, 2023

Fiscal Impact Summary

This bill establishes rules and requirements for peer-to-peer car sharing programs, defined as business platforms that connect individual drivers with vehicle owners for the purposes of using a vehicle for monetary consideration. The bill specifies insurance requirements for all parties involved in a peer-to-peer car sharing transaction, as well as the taxes that may be imposed on these transactions. The bill takes effect nine months after approval by the Governor.

This bill will have no expenditure impact on the Department of Insurance (DOI), the Department of Motor Vehicles (DMV), or the Department of Revenue (DOR) as any requirements of the agencies will be managed with existing staff and resources.

This bill will have no impact on insurance premiums tax revenue, as DOI indicates that the bill does not establish insurance requirements that will materially impact automobile insurance premiums. Insurance requirements established by the bill of peer-to-peer car sharing programs, shared vehicle owners, or shared vehicle drivers are contained within Article 1, Chapter 77, Title 38 related to automobile insurance.

Based on information from DMV, the bill could impact revenue from the Infrastructure Maintenance Fee (IMF) or sales tax imposed on vehicles used in peer-to-peer car sharing. Certain transactions are currently exempt from the IMF requirement. Under this bill, it is unclear how the IMF or sales tax will be assessed and who is responsible for these payments for a vehicle that was exempt and is now used for a peer-to-peer car sharing business. However, the amount of this impact is undetermined.

Further, from discussions with DOR, peer-to-peer transactions are currently subject to sales tax as outlined in DOR's Private Letter Ruling #20-2. This bill would exempt sales tax on the transaction. Revenue and Fiscal Affairs (RFA) estimates the sales tax exemption will reduce General Fund revenue by approximately $190,000, the Education Improvement Act (EIA) Fund by $47,000, and the Homestead Exemption Act (HEX) Fund by $47,000 in FY 2024-25. RFA further estimates that this exemption will reduce local sales and use taxes in total by approximately $24,000 in FY 2023-24 and $77,000 in FY 2024-25. Please be advised, as other rental agreements are subject to sales tax, this exemption could prompt a shift in the overall rental market. If this occurs, the impact of the sales tax exemption could be much larger over time if consumers or businesses change from traditional rentals to peer-to-peer car sharing transactions to avoid sales tax.

Explanation of Fiscal Impact

Introduced on March 8, 2023
State Expenditure
This bill establishes various rules and requirements for peer-to-peer car sharing programs, defined as business platforms that connect individual drivers with vehicle owners for the purposes of using the vehicle for monetary consideration. The bill enumerates definitions related to the parties involved in a peer-to-peer car sharing program, and the agreements or contracts required including the period of time for which the vehicle sharing will take place, and the ways in which the car sharing period may be considered terminated. The bill provides requirements for insurance coverage pursuant to Article 1, Chapter 77, Title 38 related to automobile insurance, and specifies coverages to be held by peer-to-peer car sharing programs, shared vehicle owners, or shared vehicle drivers, or any combination of the applicable parties.

The bill also specifies that a peer-to-peer car sharing transaction will only be subject to sales taxes under Title 12, Chapter 36, and under any tax imposed under the authority of Title 4, Chapter 10, if the peer-to-peer car-sharing transaction involves a shared vehicle upon the purchase of which applicable taxes were not paid. The bill further allows DOI to promulgate any regulations necessary to administer and enforce the provisions of the chapter. The bill takes effect nine months after approval by the Governor.

Department of Insurance. This bill establishes rules and requirements for peer-to-peer car sharing programs and the insurance coverage that must be held by all parties involved in the peer-to-peer car sharing transaction. The bill tasks DOI with administering and enforcing the provisions of the chapter. DOI indicates that this would be managed with existing staff and resources and will have no impact.

Department of Motor Vehicles. DMV indicates that this bill does not operationally or fiscally impact the agency. Therefore, there is no expenditure impact on DMV.

Department of Revenue. This bill exempts peer-to-peer car sharing transactions from state and local sales tax unless the peer-to-peer car-sharing transaction involves a shared vehicle upon the purchase of which applicable taxes were not paid. Currently, DOR reports that charges for peer-to-peer, short-term vehicle rentals are subject to a 6 percent state sales tax and any applicable local sales taxes. We anticipate that DOR will be able to administer the exemption with existing staff and resources, as DOR already administers sales tax exemptions. Therefore, this bill is not expected to have an expenditure impact on the agency.

State Revenue
This bill establishes rules and requirements for peer-to-peer car sharing programs, defined as business platforms that connect individual drivers with vehicle owners for the purposes of using the vehicle for monetary consideration. The bill specifies insurance requirements for all parties

involved in a peer-to-peer car sharing transaction, as well as the taxes that may be imposed on these transactions. The bill takes effect nine months after approval by the Governor.

According to DOI, this bill does not establish insurance requirements that will materially impact automobile insurance premiums. Insurance requirements of peer-to-peer car sharing programs, shared vehicle owners, or shared vehicle drivers established by the bill are contained within Article 1, Chapter 77, Title 38 related to automobile insurance. Therefore, this bill will have no impact on insurance premiums tax revenue.

Pursuant to Section 56-36-50 of the bill, a peer-to-peer car sharing transaction is only subject to sales tax if, upon purchase, the applicable taxes were not paid. DMV indicates that the applicable tax is the IMF. However, there are many exceptions to who must pay the IMF, and there is no avenue specified in the bill to determine who has or has not paid the IMF. Therefore, DMV reports that revenue from the IMF or sales tax on vehicles used for peer-to-peer car sharing could be impacted by the bill, but the amount of this impact is undetermined.

Further, this bill exempts peer-to-peer car sharing transactions from state and local sales tax pursuant to Title 12, Chapter 36 and Title 4, Chapter 10, unless the peer-to-peer car-sharing transaction involves a shared vehicle upon the purchase of which applicable taxes were not paid. Currently, charges for peer-to-peer, short-term vehicle rentals are subject to a 6 percent state sales tax and any applicable local sales taxes. This is outlined by DOR in the department's Private Letter Ruling #20-2.

Since data regarding the number of peer-to-peer car sharing members in South Carolina are not available, this analysis utilizes estimates provided by the Maryland Department of Legislative Services on total sales and use tax revenues from peer-to-peer car sharing in FY 2021-22 to estimate the revenue generated by peer-to-peer car sharing in South Carolina, accounting for differences in population and market growth over time.[1] Using gross receipts of approximately $4,592,000 from peer-to-peer car sharing in Maryland in FY 2021-22 and applying a population factor of 85.7 percent and a 6 percent growth rate yields estimated gross sales of approximately $4,458,000 in FY 2023-24 and $4,745,000 in FY 2024-25 from peer-to-peer car sharing in South Carolina.

For this analysis, we assume the bill will be enacted at the end of the FY 2022-23 session and will go into effect nine months later, as specified in the bill. RFA estimates that exempting peer-to-peer car sharing transactions from state sales tax beginning in March 2024 will reduce General Fund revenue by an estimated $59,000, the Education Improvement Act (EIA) Fund by $15,000, and the Homestead Exemption Act (HEX) Fund by $15,000, for a total estimated reduction of $89,000 in FY 2023-24. Applying the total state sales tax rate of 6 percent yields a reduction of $284,000 in state revenue in FY 2024-25. RFA estimates the exemption will reduce General Fund revenue by approximately $190,000, the Education Improvement Act (EIA) Fund by $47,000, and the Homestead Exemption Act (HEX) Fund by $47,000 in FY 2024-25.

[1] Department of Legislative Services, Maryland General Assembly, 2021 Session. Fiscal and Policy Note. Retrieved from https://mgaleg.maryland.gov/2021RS/fnotes/bil_0009/hb1209.pdf.

Estimated Impact of Exempting Peer-to-Peer Transactions from Sales Tax*

Fiscal Year	Estimated Gross Proceeds	Estimated Reduction in General Fund Revenue	Estimated Reduction in EIA Fund Revenue	Estimated Reduction in HEX Fund Revenue
2023-24 (March-June)	$1,486,000	($59,000)	($15,000)	($15,000)
2024-25	$4,745,000	($190,000)	($47,000)	($47,000)

**Based on current market activity, subject to change*

Please be advised, as other rental agreements are subject to sales tax, this exemption could prompt a shift in the overall rental market. If this occurs, the impact of the sales tax exemption could be much larger over time if consumers or businesses change from traditional rentals to peer-to-peer car sharing transactions to avoid sales tax.

Local Expenditure
N/A

Local Revenue
This bill exempts peer-to-peer car sharing transactions from state and local sales tax pursuant to Title 12, Chapter 36 and Title 4, Chapter 10, unless the peer-to-peer car-sharing transaction involves a shared vehicle upon the purchase of which applicable taxes were not paid. Currently, charges for peer-to-peer, short-term vehicle rentals are subject to a 6 percent state sales tax and any applicable local sales taxes. Local sales and use taxes in South Carolina average an additional 1.62 percent. Based upon the analysis outlined in the State Revenue section, this bill would, therefore, reduce local sales and use taxes by approximately $24,000 in FY 2023-24 and $77,000 in FY 2024-25.

Estimated Local Impact of Exempting Peer-to-Peer Transactions from Sales Tax

Fiscal Year	Estimated Gross Proceeds	Estimated Reduction in Local Sales Tax Revenue
2023-24 (March-June)	$1,486,000	($24,000)
2024-25	$4,745,000	($77,000)

Frank A. Rainwater, Executive Director