

**STATEMENT OF THE AMERICAN CAR RENTAL ASSOCIATION
BEFORE THE
COLORADO HOUSE COMMITTEE ON FINANCE
OPPOSITION TO CURRENT VERSION OF SB24-184**

APRIL 25, 2024

Chairman Snyder, Vice Chair Joseph, and Members of the Colorado House Finance Committee – My name is Greg Scott and I am here representing the American Car Rental Association (ACRA). We respectfully oppose the funding mechanism currently in SB24-184. The bill would impose on car and truck renters in Colorado a new state short-term car and truck rental excise tax of \$3.00 per day.

ACRA appreciates the sponsors' engagement and looks forward to continued conversations on identify an alternative funding source. ACRA also appreciates its discussions with members of this Committee and looks forward to the debate regarding potential amendments to SB184 in this Committee.

ACRA is the national representative for over 98% of our nation's car rental industry and a large percentage of the nation's truck rental industry. ACRA's membership is comprised of over 300 car and truck rental companies, including all of the brands you would recognize such as Alamo, Avis, Budget, Dollar, Enterprise, Fox, Hertz, National, Sixt, Thrifty and U-Haul. ACRA members also include many system licensees and franchisees, mid-size, regional and independent car rental companies as well as smaller operators.

ACRA members entered into over 3 million car and truck rental contracts in Colorado in 2023 at over 300 rental locations

across the state. Our members employ over 6,000 individuals throughout the state and collected and remitted to the state over \$130 million in sales and vehicle ownership taxes in 2023 and our customers remitted over \$7 million in state motor fuel excise taxes that are dedicated to state transportation projects.

ACRA urges this Committee to adjust the funding mechanism in SB184 for the following reasons:

1. The funding mechanism of SB184 violates Proposition 117 and circumvents the intent of Colorado voters by creating a new enterprise fee and depositing that fee into an old enterprise cash fund.
2. SB184's funding mechanism is regressive and possibly duplicative:
 - a. Middle- and low-income Coloradans renting cars and trucks will pay higher rental fees and higher insurance rates.
 - b. Front Range Passenger Rail District Board has publicly stated they are reviewing a ballot question for a tax increase and RTD continues to charge the FasTracks tax and has more than \$190M in their savings account.
 - c. As reported in an April 11, 2024, Colorado Sun news article, "The Front Range Passenger Rail District board may decide this month whether to seek voter approval this November of a new sales tax raising up to \$500 million a year to jump-start rail transit to Boulder and up and down the I-25 corridor, the district general manager said at a Colorado Sun event."

- d. In 2023 the General Assembly added dedicated tax payer funds to the Instructure and Investment Jobs Act Cash Fund for the Front Range Passenger Rail.
3. The assessment proposed by this bill will put upward pressure on both truck and car rental rates in Colorado and personal vehicle insurance rates for citizens in the state – including the vehicle insurance secured by the state for its vehicles; to my knowledge, to date there has been no analysis of the impact of this assessment on the insurance rates the state pays.
4. The funding mechanism in SB184 violates Colorado law:
 - a. Proponents of SB184 say the car and truck rental assessment is not a tax because proceeds don't go to the general fund; however, the assessment is also not, by definition, a fee, because those paying the \$3 may not benefit from the projects it will fund;
 - b. Per the Colorado Supreme Court's decision in the 2018 *City of Aspen* case, a fee must have a direct benefit to the fee payer - an individual renting a U-Haul in Grand Junction does not receive a benefit from Bustang or passenger rail;
 - c. As a result, a ballot measure seeking voter approval is required before the funding mechanism of SB184 generates revenue; in fact, two Coloradans have already filed petitions under Proposition 117 challenging the car and truck rental assessment embedded in SB184 as a "tax policy change" that

requires approval of Colorado voters through a ballot initiative prior to enactment.

5. SB184's funding mechanism also violates federal law:

- a. A federal law was enacted in 2018 that prohibits states, counties and municipalities from imposing taxes or fees on entities doing business at airports unless the revenues are used on the airport;
- b. The federal law was necessary to prevent states from imposing burdensome and regressive taxes and fees on renters of cars and trucks to pay for local projects that do not have a direct nexus to car and truck rental industries – exactly the type of proposal under consideration today;
- c. Since the federal law was enacted in 2018, no state has adopted a statewide discriminatory tax or fee on car and truck renters – Congress drew a “line in the sand” in 2018 and no state has crossed that line since then;
- d. If a federal court were asked to review the 2018 federal law with respect to the SB184 financing mechanism, it is likely the court would find the mechanism violates the 2018 law; that would result in all Colorado airports being cut off from federal Airport Improvement Program (AIP) funds because SB184 violated the anti-revenue diversion assurance an airport must make before receiving AIP funds; **Colorado airports received over \$41.5 million in AIP funds in 2023;**

For the reasons above, ACRA respectfully **opposes** the current funding mechanism embodied in SB24-184 and welcomes continued discussions with the sponsors and other legislators that ACRA hopes will result in amendments that remove the tax burden on car and truck renters.

I'd be happy to answer any questions my testimony may have raised. Thank you.