

Kim S. Rueben

Senior Research Associate/Economist

Philadelphia Daily News

Letter to the Editor

7/29/08

Ms. Sandy Shea

Editorial Page Editor

Philadelphia Daily News

Box 7788,

Philadelphia, PA 19101

Dear Ms. Shea:

Your July 23 editorial, "Taxing Times for Car Sharers," argued that Philadelphia's hourly car rental customers should be exempt from car rental taxes because those taxes were never meant to be paid by local residents. However, local residents also patronize more traditional rental agencies in addition to car share companies, so the Daily News has effectively – if unintentionally – made the case for why we might want to abolish these taxes entirely on *any* kind of car rental.

In fact, car rental taxes aren't paid "mainly by out-of-towners," as your editorial suggested. Economist William Gale and I have documented that more than half of all cars rented in the US are rented *locally*, either for personal or business use; thus, most rental excise taxes are paid by *local taxpayers*. So, Philadelphia's so-called "tourist tax" has been paid largely by local consumers and businesses.

But there's a larger issue here: Regardless of who pays them, such excise taxes represent a discriminatory, arbitrary and inequitable policy, whether the car rental is for an hour, a day or a week. Indeed, as you editorialized on July 23, many specific excise taxes are passed explicitly to influence behavior and why discourage car rentals? Like other excise taxes, they also often fall disproportionately on those who can least afford to pay them – including local residents who rent cars on weekends at discounted rates because they simply cannot afford to own a car.

In short, *all* car rental taxes unfairly burden one group of consumers, often to pay for projects and programs that have no direct connection to renting a car. That's why in general car rental excise taxes are bad tax policy and bad for car-sharing corporations as well as consumers overall.

Sincerely,



Kim Rueben