

# **Testimony of the National Consumers League Before the House Judiciary Subcommittee on Administrative and Commercial Law of the House of Representatives**

**February 1, 2012**

**Sally Greenberg, NCL Executive Director**

Good afternoon, Mr. Chairman and Ranking Member Cohen and Members of the Subcommittee. Thank you for the opportunity to appear before you in support of H.R. 2469, a bill entitled the “End Discriminatory State Taxes for Automobile Renters Act of 2011.”

My name is Sally Greenberg and I am Executive Director of the National Consumers League, the nation’s oldest consumer organization, founded in 1899 with the mission of protecting the interests of workers and consumers and creating a more fair marketplace for both.

Mr. Chairman, consumers today feel that in many of their transactions they are nickel and dimed, whether it is their cell phone bill, late fees and finance charges on credit and debit cards, bogus convenience fees added onto tickets for live performances or extra charges for baggage, food or pillows on an air plane. Indeed, a good example is the survey from *Consumer Reports*, August 2010<sup>1</sup>, which found that there are myriad fees that irk travelers: rental car fees, fees for hotel safes, minibars, hotel gym, ice in the drinks, fees for buying a gift card, fees for using that same card and the list goes on and on.

The National Consumers League feels consumers’ pain – and unfortunately most of the time consumers have little power to challenge these fees. Indeed, the *Consumer Reports* article contained this paragraph:

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<sup>1</sup> Fees That Irk Consumers, *Consumer Reports*, August 2010  
<http://www.consumerreports.org/cro/magazine-archive/2010/august/money/travel-fees/overview/index.htm>

*But our hearts really go out to the couple who rented a compact car in Boston last summer. They paid \$444.37 for 15 days of driving. Then came the rental vehicle surcharge, customer facility charge, parking surcharge, energy recovery fee, fleet recovery surcharge, concession recovery fee and state tax.<sup>2</sup>*

So today we are here to support legislation that says: Enough!

HR 2469 will prospectively bar many discriminatory car rental taxes – which are simply added fees – imposed by states and localities. These fees have been increasingly piled on consumers who rent cars in order to fund pet projects. HR 2469 will grandfather in existing taxes and not affect the ability of states and localities to impose general taxes that are levied on all citizens or businesses. But NCL believes that these same states and localities should not impose fees on consumers who rent cars when the fees have little or nothing to do with improving the services they receive. Indeed, according to the *New York Times*, the most common use of these excises is to finance sports stadiums and convention centers. In a 2006 article, the *Times* noted that at least 35 sports stadiums were expected to be financed partly with subsidies from car-rental taxes. Other research has shown that in the 1990's, subsidies provided 94 percent of sports stadium financing.<sup>3</sup>

Legislators who adopt these fees operate under the misperception that taxes on car rentals, which we believe make the taxes hard to justify. My predecessor and former NCL President Linda Golodner discussed the issue of fees and their impact on consumers in the *Pittsburgh Post-Gazette*<sup>4</sup> several years ago. Golodner noted how

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<sup>2</sup> Ibid.

<sup>3</sup> How Far Would You Drive to Avoid a Rental Car Tax? NYTimes, David Cay Johnston, July 17, 2006. <http://www.nytimes.com/2006/07/17/business/17tax.html>

<sup>4</sup> **Private Sector: Pain, No Gain.** Car rental excise taxes are discriminatory and bad policy, <http://www.post-gazette.com/pg/07219/807421-28.stm#ixzz1ksWJPsRi><http://www.post-gazette.com/pg/07219/807421-28.stm>

Congress has prohibited practices by state and local governments that unreasonably burden or discriminate against interstate commerce and transportation. Examples include the Railroad Revitalization and Regulatory Reform Act (1976), Airports and Airways Improvement Act (1978), Motor Carrier Act (1980) and Bus Regulatory Reform Act (1982). So enacting HR 2469 would be following a long line of bills that prohibit discrimination in interstate commerce.

### **The Problem**

As of this time, 43 states and the District of Columbia have imposed 118 excise taxes on car rentals. This is eight times the number of these taxes that existed in 1990. As noted above, rental car taxes tend to pay for entertainment items like stadiums, performing arts centers, or culinary institutes and not for vital services like schools, roads, libraries, hospitals or services to the elderly. Industry research indicates that rental car customers have spent more than \$7.5 billion in taxes to fund the pet projects of elected officials.

A perfect example has been playing out for the past two years in my hometown of Minneapolis. The Minnesota Vikings already have the Metrodome, a beautiful indoor stadium right in the middle of downtown Minneapolis. But Zygmunt Wilf, the Vikings' billionaire owner, wants another one -- with a retractable roof! -- and state lawmakers were asking consumers who rent cars to help pay for it with a 2.5% tax on rental cars to finance a new billion-dollar stadium. The state still hasn't figured out a long-term funding source for the new digs, so we'll have to wait and see if rental car customers will ultimately foot the bill.

More than half of those who rent cars in Minnesota are residents of the state. To add insult to injury, Minnesota residents are already paying a special 6.2% excise tax on car rentals, a tax that was adopted to pay for the cost to the state of trying to attract the Super Bowl. That tax was supposed to expire in 2005, but it was extended, even though the revenue it raised has far exceeded its original purpose. Talk about fleecing the consumer!

Tourists are also affected by these pervasive fees. They might be easier to tax as non-constituents, but tourist charges are also spiraling out of control. According to the *New York Times*, taxes and

other costs such as vehicle licensing fees or high levels of excise taxes raise the average rental bill 28 percent at airport locations.

### **Excise taxes on car rentals hurt nonprofits**

In addition, as head of a nonprofit organization overseeing a staff of 16, when my people travel – or even have meetings locally and need transportation- we often must rent cars. I see the bills come in, and the excise fees and sales taxes together represent a hefty percentage of the entire rental.

As an addendum to this testimony, I've provided exhibits that demonstrate that the taxes we all pay when we rent cars are similar to what the couple in the *Consumer Reports* article experienced - in the form of receipts from my car rentals over the past year. Here are a few highlights:

In September of last year I rented a car in Minneapolis; the base fee was \$128.97, but the following taxes were added on: CFC@2 a day, \$6.00, APCONRGFEE - \$14.33, State Tax - \$10.86, Vehicle Fee \$7.47, Rental Tax - \$9.26. Total: **\$176.89** So 37.5% of the total cost in Minneapolis was fees and taxes.

In November of last year I rented a car in Chicago. The base amount was \$123.11, but the following taxes were added on: MTRVEH Tax - \$2.75, CFC@ \$8.00 a day x 5 days, \$40.00, Motor Vehicle Tax – 5 days @ \$1.20 \$6.00, State Tax \$25.82 **Total: \$197.68** So 37.7% of the total cost in Chicago was fees and taxes.

It is worth noting that I had no idea when I paid these fees what they were for – what is APCONGRFEE in Minnesota? What is MTRVEH in Chicago? What is VLF? What are CFC fees in both Minneapolis and Chicago? They lack transparency and they seem duplicative. In Minneapolis, I paid a state tax, plus a vehicle fee, plus rental tax . In Chicago I paid a MTRVEH tax, a CFC, a Motor Vehicle Tax and a State Tax. Where does it end?

These added costs also hurt nonprofit organizations like mine that operate on modest budgets but are vitally important to civil society.

And these taxes hurt the many families who are tourists visiting cities and towns across the country and are being required to fund projects for which they are unlikely to derive any benefit and are not essential services.

We understand why local elected officials have increasingly turned to car rental transactions to raise fees for stadiums and impose fees. They undoubtedly want to escape the wrath of their own constituents who have the power to vote them out of office if taxes go up. So why not shift the tax burden onto someone else? Who better than out-of-towners who come to their cities and towns to do business or visit friends and family.

### **Misconceptions about who rents cars in America**

Unfortunately, politicians who pass these laws taxing rental car transactions are operating on several false assumptions. First, that the vast majority of people who rent cars live outside of the state or locality. Second, that most consumers who rent cars are either businesses who won't feel the extra charges or affluent consumers who won't notice an extra \$30 or \$40 fee on a car rental.

Let me address each of these issues in turn:

First, the myth that most people who rent cars are from out of state. If local officials conducted research on who rents cars, they would learn that many people who don't own a car because they can't afford rent when they have a specific need – like taking an elderly relative to a doctor's appointment, moving a relative from one residence to another, taking a child to a doctor's appointment, visiting a relative in prison, or for a special occasion like a wedding or graduation.

Consumers who rent cars for these reasons are not the affluent out-of-town businesspeople that state and local legislators may assume rent most of the cars— far from it. And they need affordable car rental options without the multitude of indecipherable fees and charges.

A June 2010 study conducted by the Brattle Group (A study commissioned by the rental car industry), a Cambridge, MA based consulting group that looks at economic impacts, found that the

estimated total revenue for rental cars in the US for 2004 was around \$17.6 billion, with home city rentals accounting for \$9.5 billion or 54% of the industry's annual revenues. This conflicts with many legislators' assumptions about who rents cars. The mayor of a suburb north of Atlanta is a case in point: "We're not raising any tax. I didn't think it would be a big deal as most rentals are visitors anyway." The record is replete with such statements.

A second misconception is that affluent consumers and businesses rent most of the cars. The same Brattle Group study found that this is not the case. In fact, 19% of these car rental excise taxes are paid by working families that earn less than \$50,000 a year and 7% of the total was paid by households earning less than \$25,000. Enterprise Car Rentals estimates that 25% of its customers have incomes below \$40,000.

The Brattle study also found that African-Americans generate 26% of the rental car revenues and pay 27% of the excise taxes, despite accounting for only 12% of the US population. Members of other minority groups pay 13% of the total car rental excise taxes, despite being only 7% of the population, while high-income households – defined as households earning over \$100,000 pay only half of these excise taxes, which means the rental car excise taxes are a very regressive tax.

In a similar study, two leading tax policy experts, William Gale of the Brookings Institution and Kim Rueben of the Urban Institute, analyzed the impact of a \$4-per-day rental car tax in Kansas City, MO.<sup>5</sup>

Gale and Rueben found that piling taxes onto car rental customers is both inefficient, because it can distort choices about modes of transportation and send people across state borders to avoid even a modest tax, and that the taxes are also inequitable. Communities that already are taxing car rental customers might want to take another look at their working assumptions and long-term strategy.

## **Conclusion**

With an eight-fold increase in taxes on rental cars since 1990, it

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<sup>5</sup> How Far Would You Drive to Avoid a Rental Car Tax?  
<http://www.nytimes.com/2006/07/17/business/17tax.html>

seems clear that the multitude of fees, taxes, and charges that have so dramatically inflated the cost of renting a car has gotten out of hand. NCL understands the importance of citizens paying their share of taxes to provide critical services that we all rely on – for our schools, hospitals, libraries, roadways, and for clean water and safe roadways. But when rental car customers are asked to pay for sports stadiums and the taxes imposed seem to have no limit, with consumers having no idea what the tax is, let alone what it is being used for, its time to say, enough is enough! Consumers are tired of taxes and fees without having any understanding of where that funding is going or why they are being asked to pay them.

For the reasons stated above, NCL is pleased to offer our support for H.R. 2469, which will help put the brakes on discriminatory taxes on consumers who rent cars. We thank you for inviting the National Consumers League to share our views with you today and urge you to support this important legislation.

# Fees that irk travelers

WITH SUMMER travel season upon us, Spirit Airlines has announced a charge of \$20 to \$45 for carry-on bags stashed in overhead bins. (One senator termed the practice "skyway robbery," and several proposed legislation to ban it.) Irish airline Ryanair is pursuing a pay-to-go potty charge. So it seemed like a good time to ask readers to name the fees they hate most while traveling.

There were plenty. Common answers: a fee for a hotel safe or mini-bar, even if it's not used; fees for resort perks; a hotel gym fee (\$15 for 30 minutes on a treadmill); and as much as \$250 a round-trip for a pet in a carry-on under a seat.

One of the more unusual nominees: an \$18 "gift ticket fee" that Greyhound tacked onto the bus ticket a couple bought their son. The reason? He wasn't the credit-card holder. Then there was the \$2 surcharge a reader's friend paid last December at a Bethlehem, Pa., hotel restaurant. It was for the ice in his scotch.

But our hearts really go out to the couple who rented a compact car in Boston last summer. They paid \$444.37 for 15 days of driving. Then came the rental vehicle surcharge, customer facility charge, parking surcharge, energy recovery fee, fleet

recovery surcharge, concession recovery fee, and state tax. Those added \$186.45, bringing the cost to \$630.82. Fees were about 30 percent of the total bill.

To avoid fees while traveling, always read the fine print. Other tips:

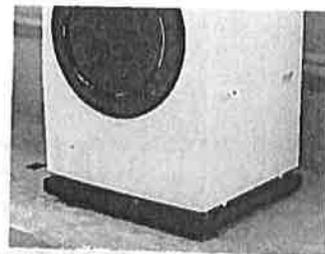
**When you fly.** Book online (you may pay up to \$35 more to book by phone and \$45 to buy at a ticket counter); limit luggage fees by taking only carry-ons, consolidating checked bags, or flying Southwest, the only big U.S. carrier that doesn't charge for one or even two checked bags. If you must check luggage, do it online—from home, on your way to the airport, or at the terminal. Some airlines charge \$2 or \$3 for a bag checked in at the counter.

**When you stay at a hotel.** Postpone checking your e-mail (some hotels charge for each day you use their Web connection) and avoid room service.

**When you rent a car.** Try to return it to where you picked it up; opt out of extras you may pay for even if unused (like a toll pass); use your own gear (bike rack, child-safety seat); consider a mileage cap option; top off the gas tank before you return; and cancel if you're not going to show up, to avoid a possible noncancellation fee.



**ADD-ONS** Jack Ellis of Ohio got a quote of \$297 for a car rental but paid almost \$200 more for fees, taxes, and handling.



## Stopping the shake, rattle, and roll

Because of their superfast rotation, many front-loading washers vibrate. If they're on a wood-framed floor, they can make the floor and the house itself shake, possibly cracking tiles.

We tested five pads or feet meant to solve the problem: Super Soundproofing Dimple Support Pads, VibeAway Anti-Vibration Pad, Shake Away Plus Vibration Pads, Silent Feet Vibration Isolating Feet, and Good Vibrations Vibration Dampener Pads. They cost \$20 to \$47. We also tested the Steadywash Vibration Isolation Platform (pictured), a 27x7x3-inch metal box with an upper support that can shimmy and a fixed bottom plate. It costs \$200. We used each product with a washer that vibrated in earlier tests.

### Bottom line.

Pads or feet didn't cut vibration noticeably. The Steadywash sent less vibration to the floor, but the washer wiggled a bit on the upper plate, so it couldn't abut walls or a dryer. It's best to buy a washer that doesn't shake in the first place. CR Best Buy front-loaders with low vibration are the Kenmore 4027, \$800, and the LG WM2050C, \$700.



## What's up with Double Down?

"So meaty, there's no room for a bun," the KFC website says of the chain's Double Down sandwich. Hatched in April, the Double Down consists of two slices of bacon, two melted slices of cheese, and mayonnaise sauce slapped between—no, not bread—two boneless battered or grilled chicken patties. It has been lampooned as a dietitian's nightmare, but KFC claims the Original Recipe (battered) version has 540 calories, fewer than many other fast-food sandwiches. (Hardee's Monster Thickburger, for instance, has a monstrous 1,320 calories.)

We analyzed three Double Down Original Recipe sandwiches from different locations to see whether the claimed calories and fat are accurate and found that they are. Still,



the sandwich has about 30 grams of fat and 1,380 milligrams of sodium. That's roughly half the daily limit for both, so watch how often you down Double Downs. Oh—our trained tasters said that it's good, with crispy, tender, flavorful chicken, peppery cheese, and smoky bacon, but tastes a little too salty.

DOLLAR RENT A CAR  
CHICAGO O HARE FIELD

RENTAL RECORD:  
COMPLETED BY: KTHOMI  
RENTED: CHICAGO O'HARE FIELD  
RENTAL: 11-22-11 1932  
RETURN: 11-27-11 1037  
VEH NUMBER: V81339G  
MILES IN: 21681 OUT: 21522  
MILES DRIVEN: 159  
CHECK IN FUEL LEVEL: B OUT: B  
PLAN IN/OUT: R4UW5  
CLS: FDAR  
1 WEEK @ \$123.11 \$123.11  
SUBTOT \$123.11  
TAXABLE TOT: \$123.11  
TIME \$123.11  
MTRVHTAX \$2.75  
CFC  
5 DAYS @ \$8.00 \$40.00  
VLF  
5 DAYS @ \$1.20 \$6.00  
STATE TAX \$25.82  
TOTAL CHARGE \$197.68  
NET DUE \$0.00  
PAYMENTS -\$197.68

THRIFTY CAR RENTAL  
MINNEAPOLIS/ST. PAUL

RENTAL RECORD:  
COMPLETED BY: CBAEZT  
RENTED: MINNEAPOLIS/ST. PAUL  
RENTAL: 09-02-11 2159  
RETURN: 09-05-11 1147  
VEH NUMBER: W496834  
MILES IN: 40656 OUT: 40476  
MILES DRIVEN: 180  
CHECK IN FUEL LEVEL: B OUT: B  
PLAN IN/OUT: RCU03  
CLS: COAR  
3 DAYS @ \$42.99 \$128.97  
SUBTOT \$128.97  
TAXABLE TOT: \$128.97  
TIME \$128.97  
CFC  
3 DAYS @ \$2.00 \$6.00  
APCONRGFEE \$14.33  
STATE TAX \$10.86  
VEHLCFEE \$7.47  
RENTALTAX \$9.26  
TOTAL CHARGE \$176.89  
NET DUE \$0.00  
PAYMENTS -\$176.89

NATIONAL  
CAR RENTAL

Rental 18-JUN-2009 07:01 PM  
CHICAGO O'HARE ARPT  
Return 22-JUN-2009 09:43 AM  
CHICAGO O'HARE ARPT

Vehicle # 83416921  
Model PRIUS  
Class Driven ICAR Class Charged ICAR  
License# XVW7597 State/Province VA  
M/Kms Driven 260  
M/Kms Out 35722  
M/Kms In 35982

Charges	No Unit	Price	Amount
T & M	4 Days	25.96	103.84*
UNLIM M/KM	0 M/Kms		0.00*
LESSOR TAX	2.75 USD		2.75
AUTO RENT TAX	@5.00%		5.19
MPEA TAX	@6.00%		6.23
MASS TRANSIT TX	@1.00%		1.04
TRANSACTION TX	@8.00%		8.31

Total Charges USD 127.36

Amount Due USD 0.00

\* Taxable Items  
Subject to Audit  
Customer service Number #1-800-468-3334

DOLLAR RENT A CAR  
MINNEAPOLIS/ST. PAUL

RENTAL RECORD:  
COMPLETED BY: LUHLED  
RENTED: MINNEAPOLIS/ST. PAUL  
RENTAL: 10-15-11 2049  
RETURN: 10-16-11 1806  
VEH NUMBER: V820956  
MILES IN: 18330 OUT: 18275  
MILES DRIVEN: 55  
CHECK IN FUEL LEVEL: B OUT: B  
PLAN IN/OUT: EDIT  
CLS: COAR  
1 DAY @ \$38.00 \$38.00  
SUBTOT \$38.00  
TAXABLE TOT: \$38.00  
TIME \$38.00  
CFC  
1 DAY @ \$2.00 \$2.00  
APCONRGFEE \$4.22  
STATE TAX \$3.22  
VEHLCFEE \$2.21  
RENTALTAX \$2.74  
TOTAL CHARGE \$52.39  
NET DUE \$0.00  
PAYMENTS -\$52.39

NATIONAL