

Connecticut Car Rental Laws and Car Sharing Services

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Issue

What are the state's car rental laws? Do these laws apply to car sharing services (e.g., Zipcar and Turo)?

Summary

Connecticut law establishes various requirements for car rental companies doing business in Connecticut. This report provides an overview of the laws specific to the business of short-term car rentals (i.e., 30 days or less). It does not cover laws that apply (1) to businesses generally, such as requirements for filing with the Secretary of the State, or (2) only to vehicle leases or rentals lasting more than 30 days.

Under state law, individuals or companies that engage in the business of renting motor vehicles in Connecticut must obtain a motor vehicle leasing license from the Department of Motor Vehicles (DMV) and renew such license biennially. They must also hold insurance coverage on all their vehicles.

When operating in Connecticut, car rental companies must obtain certain documents from renters, retain required records, periodically report certain information on their vehicles to DMV, and in some cases, electronically process registration transactions. Subject to specified conditions, the law authorizes them to itemize certain charges and fees (e.g., "vehicle cost recovery fees"), offer collision damage waivers in rental contracts, and repossess vehicles after rental contracts expire. Additionally, the law requires them to collect and remit (1) sales and use tax, at a 9.35% rate, and (2) the state's \$1.00 per day tourist account surcharge.

According to the National Conference of State Legislatures (NCSL), “car sharing” typically refers to a membership-based service that provides members of a car-sharing organization access to an insured vehicle, and may involve sharing access to a fleet of vehicles (e.g., Zipcar) or the sharing of privately-owned vehicles (e.g., Turo). Like ridesharing (e.g., Uber and Lyft) and home sharing (e.g., Air Bnb), car sharing companies and the services they provide often do not fit neatly into existing state laws that predate the model’s emergence.

At this point in time, it is unclear whether Connecticut’s car rental laws apply to car sharing, despite the similarity between the services. With the exception of the sales and use tax, whether a car rental law applies to car sharing presumably turns on whether a car sharing company is “engaged in the business” of renting cars. The phrase is not defined in Connecticut law, but two New York court cases analyzing whether Zipcar is covered by the federal Graves Amendment, which protects car rental companies from vicarious liability, may provide some insight. In these cases, the courts held that Zipcar is engaged in the business of renting cars because it charges fees for access to vehicles it owns. To date, courts have not issued any decisions on whether companies, like Turo, that provide online platforms to enable car sharing between third parties (i.e., peer-to-peer car sharing) are engaged in the business of renting cars.

With regard to the sales and use tax, it appears that car sharing transactions would be subject to sales and use tax because the law turns on the type of transaction rather than the type of service provider, but it is unclear whether sales tax provisions requiring companies to collect and remit sales tax apply to car sharing companies.

Business Licensing Requirements

State law requires individuals and companies that engage in the business of leasing or renting motor vehicles, without drivers, in Connecticut to be licensed by DMV. The law exempts from this licensing requirement any individual or company that, incidental to the conduct of its principal business, leases or rents vehicles, without a driver, to others with the same principal business ([CGS § 14-15\(a\)](#)). Violations of the licensing requirements are infractions.

Application and Renewal

License applications must contain the company owner’s name and address. Applicants must provide to the commissioner proof of financial responsibility specifying that the applicant holds the minimum amount of liability coverage required by law for all vehicles the applicant owns. (If an applicant will be renting or leasing any cars for periods of 30 days or more, the application must also be accompanied by a \$10,000 surety bond.) According to [DMV’s website](#), applicants must also

provide to DMV certain information regarding company management and obtain specified certificates of compliance, among other things.

Licenses must be renewed biennially, and the fee for each initial and renewal application is \$300. Renewal applications filed after a license has expired must include a \$100 late fee, and a license cannot be renewed if it has been expired for more than 45 days. Licenses are nontransferable.

Operating Requirements

Car rental companies are subject to various requirements related to document verification and retention, vehicle information reporting, rental charges and contracts, vehicle repossession, and registration transactions. The applicability of the specific requirements vary, usually depending on the type of vehicles rented or the size of a company's rental fleet; thus, some of the requirements below may not apply to all car rental companies.

Document Verification and Retention

State law requires car rental companies to obtain, examine, and retain certain documents and records. They must keep a copy of each rental contract for a three-year period and any other books, records, and accounts the DMV commissioner requires. These records are subject to inspection by the commissioner or his designee at all reasonable times ([CGS § 14-15](#)).

Renter Documents. Car rental companies must inspect the driver's license of the person who will initially operate a rented vehicle and compare the signature on the license with the signature of the alleged licensee, written in their presence. The company must also obtain a parent's or guardian's written consent before renting a vehicle to a minor.

Companies must retain, for one year, a record with the driver's license holder's name, license number, and license issuance date. As part of this record, they must retain the rented vehicle's registration number and the odometer readings for the rental trip. Violators are subject to a \$100 fine.

These document requirements do not apply to companies that, incidental to the conduct of their primary business, lease or rent vehicles, without a driver, to others engaged in the same business (CGS §§ [14-153](#) and [-153a](#)).

Vehicle Information Reporting

Car rental companies must submit to DMV, generally on a quarterly basis, the following information:

1. the total number of vehicles available for lease or rental in the state as of the close of business on the last day in the reporting period;
2. the number of available vehicles that are not registered in Connecticut, along with specified information about them (e.g., the vehicle identification number and state of registration); and
3. for companies that are not also licensed car dealers, the number of vehicles they purchased and sold during the reporting period, including the number of sold vehicles that were not leased or available for lease by the company prior to sale (Conn. Agencies Regs. § 14-15-1).

Rental Charges and Contracts

Vehicle Cost Recovery Fees and Other Itemized Charges. The law sets conditions under which certain car rental companies may charge renters, as part of a rental contract, individually itemized charges or fees, including vehicle cost recovery, airport access, or airport concession fees. These conditions apply to companies that use, for rental purposes, a fleet of five or more passenger motor vehicles or rental trucks, but they do not apply to those whose rental income is less than 51% of their total annual revenue.

Specifically, any individually itemized charges must be:

1. imposed on the total amount the company charges for the rental,
2. in addition to any other applicable taxes,
3. subject to sales and use tax,
4. paid by the renter to the company and collected in full by the company from the renter,
5. a debt the company may recover from the renter (when added to the original contract or rental price), and
6. separately stated in the rental contract.

The law also sets additional requirements specific to vehicle cost recovery fees. These fees must (1) represent the company's estimate of the annual cost of any required license, title, registration, tax, inspection, or number plates for the car or truck (i.e., vehicle costs), prorated to a daily rate, and (2) be described in the rental contract's terms and conditions as the estimated average cost per day the company incurs in vehicle costs. If the rental company collects more in total vehicle cost recovery fees in any calendar year than what it paid in vehicle costs on the cars and trucks, the

company must retain the excess amount and reduce its estimated vehicle costs for the following calendar year by the excess amount. However, the law does not prohibit a rental company from adjusting the vehicle recovery fees charged during any calendar year ([CGS § 12-692](#)).

Collision Damage Waivers. State law sets requirements for motor vehicle rental contracts containing “collision damage waivers,” which are provisions where a company agrees, for a charge, to waive claims against a renter for damages to the vehicle during the rental agreement’s term. Contracts incorporating collision damage waivers must:

1. comply with state requirements for consumer contracts ([CGS § 42-151 et seq.](#)), such as the requirement that such contracts be written in plain language;
2. detail the full extent of the coverage;
3. provide conspicuous notice that the renter’s personal auto insurance may cover personal injury and collision, fire, and theft damage incurred while using a rental vehicle; and
4. clearly indicate the annualized rate for the collision damage waiver and any liability provisions.

The law also prohibits car rental companies from making any false or misleading statements when offering, selling, or advertising collision damage waivers. Violations of these provisions are deemed unfair deceptive trade practices under the Connecticut Unfair Trade Practices Act (CUTPA) ([CGS § 14-15b](#)).

Vehicle Repossession

State law gives car rental companies the explicit right to take possession of a rented motor vehicle upon the rental contract’s expiration, if (1) the contract’s term was 30 days or less (2) at least 72 hours have passed from the time the contract required that the vehicle be returned, and (3) the lessee and the rental company have not agreed to extend the contract. The rental company can repossess the vehicle pursuant to judicial process or without judicial process, if it proceeds without breach of the peace ([CGS § 14-15c](#)). Like the provisions on itemized charges, this provision applies to companies that use, for rental purposes, a fleet of five or more passenger motor vehicles or rental trucks, but it does not apply to those whose rental income is less than 51% of their total annual revenue.

Electronic Vehicle Registration

Car rental companies may electronically register or transfer the registration of motor vehicles they use in their businesses and must do so if the commissioner determines a company files seven or more registrations or transfers each month. Within 10 days after registering or transferring a registration electronically, companies must submit to DMV a registration application and all necessary documents. The law also allows the DMV commissioner to require companies to renew registrations electronically if they renew seven or more registrations each month ([CGS § 14-15](#)(b) & (c)).

Applicable State Taxes and Surcharges

Sales and Use Tax

The rental of motor vehicles for 30 days or less is subject to sales and use tax, but at a special rate of 9.35% rather than the standard 6.35% rate that applies to most sales (CGS § [12-408](#)(1)(G) & [12-411](#)(1)(G)). Car rental companies must obtain a sales tax number from the Department of Revenue Services (DRS) before they can be granted a motor vehicle leasing license.

Tourism Account Surcharge

State law imposes a \$1.00 daily surcharge on rentals of passenger motor vehicles by licensed car rental companies. The surcharge applies only to rentals for periods of 30 days or less and is in addition to any tax otherwise applicable to the transactions. Companies must collect the surcharge from their renters and file a return and remit the amount collected to the DRS commissioner on a monthly basis, or less frequently under certain circumstances (CGS § [12-665](#) et seq.).

Car Sharing Services

Although there is no universal definition of car sharing, it is generally understood to refer to a membership-based service that provides members of a car-sharing organization access to an insured vehicle (see “[Car Sharing](#),” NCSL). According to a [report](#) from the Transportation Sustainability Research Center at the University at Berkeley, the two most common car sharing models are roundtrip car sharing and peer-to-peer (P2P) car sharing. Roundtrip car sharing (e.g., [Zipcar](#)) allows members hourly access to a fleet of shared vehicles from a dedicated “home” location that are returned to that location at the end of the trip. P2P car sharing refers to the sharing of privately-owned vehicles in which companies (such as [Turo](#)) broker transactions among car owners and renters by providing the organizational resources needed to make the exchange possible (e.g., online platform, customer support, driver and motor vehicle safety certification, and auto insurance).

Like ridesharing and home sharing, the rise of car sharing has prompted many to question: do existing laws, which were drafted prior to the emergence of these new business models, apply, and if so, to what extent? With the exception of the sales and use tax, the answer presumably depends on what it means to be engaged in the business of renting cars.

“Engaged in the Business” of Renting Cars

The question of whether Connecticut’s rental car laws apply to car sharing companies presumably turns on whether these companies are “engaged in the business” of renting cars. This is because the car rental laws either use the phrase explicitly or apply to motor vehicle leasing licensees, which are, by definition, engaged in the business of renting cars. However, the General Statutes do not define or provide guidance as to what it means to engage in the business of renting cars.

As described below, decisions in two New York cases, though not binding on Connecticut courts, may provide some insight about the applicability of car rental laws to roundtrip car sharing companies. To date, courts have not issued decisions about the applicability of these laws to P2P car sharing companies.

Zipcar and the Graves Amendment. The Graves Amendment ([49 U.S.C. § 30106](#)) protects car rental companies from vicarious liability claims by providing that a rental company cannot be held liable under state law for damages or injuries that occur during the rental period simply because the company is the owner of the vehicle. (A Connecticut law making companies liable for such damages ([CGS § 14-154a](#)) is preempted by the Graves Amendment.)

The applicability of the Graves Amendment to the new car sharing models appears to turn on whether the business involves an owner who is “engaged in the business” of renting vehicles. Like Connecticut’s laws, the Graves Amendment does not define “engaged in the business.” But in two cases, New York courts found that because Zipcar permits its members to use its cars in exchange for a fee, it is engaged in the business of renting cars (*Moreau v. Josaphat* Sup.Ct. Kings Cty. 2013 and *Minto v. Zipcar New York, Inc*, Sup.Ct. Queens Cty. 2010).

P2P Car Sharing. Zipcar’s business model, which gives members access to a shared fleet of company-owned vehicles for a fee, is more similar to traditional car rental models than P2P platforms, like Turo, which provide a platform and other support to private parties who list vehicles they own for rent. In a 2018 *Verge* [interview](#), Turo’s general counsel contended that Turo is not a car rental business and should not be regulated as one, explaining that “[w]e don’t own a fleet of cars, we don’t have any of these physical locations...We’re in the business of providing an internet platform. We’re definitely not a rental car company.”

But traditional car rental companies and some government entities disagree with Turo's assessment and believe that Turo and other similar companies should follow rental car laws. In a 2018 *Forbes* [interview](#), a representative from the American Car Rental Association contended that P2P car sharing companies are renting cars, explaining that "[t]hey are profiting from renting cars. And they are renting cars to consumers. The argument that these companies are simply facilitators didn't work for Airbnb and Uber, and it won't work for the peer-to-peer car rental companies."

This debate does not appear to be resolved. Turo is currently involved in at least two lawsuits with government entities concerning the applicability of certain car rental laws to its business model, but neither has been decided (see *Turo Inc. v. City of Los Angeles*, No. 2:18-cv-06055-CAS-GJS (C.D.Cal., {2018}) and *People of the State of California v. Turo Inc., et al*, No. CGC-18-563803 (Cal. Super. Ct. {2018}). And according to [NCSL](#), several states, including California, Maryland, and Washington, have passed laws creating a regulatory framework for P2P car sharing, separate from the framework that applies to traditional rental car companies.

Applicability of Car Rental Taxes and Surcharges

Because the applicability of the sales tax law turns on the type of transaction rather than the type of service provider, it appears that car sharing transactions would be subject to sales and use tax. However, enforcement may be difficult, as it is unclear whether the law requires P2P car sharing companies to collect and remit sales tax on behalf of its members.

With regard to tourism account surcharges, any car sharing company that holds a motor vehicle leasing license would likely be required to collect and remit the surcharge. However, as discussed above, it is unclear whether car sharing services must obtain these licenses.

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