Transportation Committee
JOINT FAVORABLE REPORT

Bill No.: SB-1447

Title: AN ACT CONCERNING ADDITIONAL REVENUE SOURCES FOR THE SPECIAL TRANSPORTATION FUND BY SUBJECTING PEER-TO-PEER CAR SHARING TO THE SALES AND USE TAX AND ESTABLISHING A FEE ON EACH RETAIL DELIVERY MADE IN THE STATE.

Vote Date: 3/19/25

Vote Action: Joint Favorable Substitute

PH Date: 3/10/2025

File No.:

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SPONSORS OF BILL:

Transportation Committee

REASONS FOR BILL:

The bill will subject peer-to-peer car sharing services to a sales and use tax at the same rate that applies to rental cares and directs it to the General Fund, the STF, and 5.3% to the Municipal Revenue Sharing Fund. It imposes a 28-cent delivery fee on all deliveries of items already subject to a sales tax, this revenue will go into the special transportation fund as well. This bill also removes the prohibition that previously prevented the DMV from conducting a vehicle traveled study. This legislation aims to collect fees to pay for road maintenance out of the Transportation Fund. It costs the state billions in dollars to repair the roads, this bill intends to create more revenue for road repairs and make the state less reliant on the federal government for transportation funds.

Substitute Language:
The substitute language removes any retail delivery fees and focuses instead on the peer-to-peer sales and use tax.

RESPONSE FROM ADMINISTRATION/AGENCY:
Garrett Eucalitto, Commissioner, Connecticut Department of Transportation

Commissioner Eucalitto supports the bill, specifically section 7, which repeals the requirement for legislative approval for the Department to use state money to study a milage-based user fee on state roads. He notes that the CTDOT is the only Department of Transportation that has restrictions on participating in federal mileage-based user fee research projection, which, as he notes, restricts their ability to "explore and collaborate on potential alternatives to fuel taxes and innovative solutions for state fiscal and transportation leaders." Any alternatives to funding have to go through the legislature and suggests that alternative funding needs to be evaluated as his agency presents that the Special Transportation Fund's expenditures will exceed revenue in FY2028 as no additional revenues are identified.

NATURE AND SOURCES OF SUPPORT:

Stephen Ranieri, Comptroller of Enterprise Mobility

Mr. Ranieri supports the bill, noting that there are other rental car companies, specifically peer-to-peer car sharing companies, that are not taxed at the same rate as Enterprise. There has been established precedent in CT that all online marketplace facilitators are treated equally compared to local businesses, and that this proposal will help to "achieve parity in the rental car market."

Carla Foster

Ms. Foster wrote in broad support.

NATURE AND SOURCES OF OPPOSITION:

John Heath, Senior Government Relations and External Affairs Manager of Turo

Mr. Heath opposes the bill. He began by sharing the significant accomplishment of the committee for developing a framework for the peer-to-peer car sharing industry in 2021, which placed peer-to-peer- car sharing at 6.35% sales and use tax. The 3% tax increase in this legislation will be burdensome for taxpayers as they face an increase cost of living. He cited a 2010 study from the Brattle groups that found that increased taxes on car renters would disproportionately impact low-income and minority populations. He wants the "front-end sales tax exemption" for rental companies to be considered from when the 2021 legislation was passed, noting that CT loses roughly $88.7 million annually from special tax exemptions provided to big rental companies, thus giving large corporations a competitive advantage. He wants the committee to consider closing the rental car sales tax exemption to avoid unfair competition and overburdening of CT residents.

Scott Dolch, President and CEO of CT Restaurant Association

Mr. Dolch opposes the bill, noting that 97% of the state's full-service restaurants are independently owned. These restaurants help provide jobs to the people of CT, support local economies, and add to the culture of the communities they serve, and this bill will have a profound impact on them. As they are adapting to the increased need and demand for delivery in light of the pandemic, as well as the rising costs of ingredients, labor, rent, and utilities, this additional 28 cent tax on each food delivery will add another burden to customers and businesses. It will also reduce the competitiveness of small and local restaurants and may force them to stop offering delivery options. He notes the unpopularity of these taxes by voters in other states such as Louisiana and Nebraska, which has led them to remove these proposals altogether.

Paul Amarone, Public Policy Associate of CBIA

Mr. Amarone opposes the bill, specifically section 5. The Connecticut Business and Industry Association (CBIA) notes that the state of Connecticut rankled very low in terms of the costs of business as well as starting a business. As delivery taxes are inherently a regression, any additional fee would negatively impact those who can least afford them. He notes the current increase in the cost of living and emphasizes that adding a new fee is not appropriate, while pointing out their unpopularity among all voters. He identifies several states that have dropped these proposals, specifically Colorado, and noted that businesses have reported excessive compliance costs associated with new tax as well price increases.

Brianna January, Director of Chamber of Progress

Ms. January opposes the bill, noting that it would overall ruin competition by hurting small businesses and their workers and limits the choices consumers have, all while disproportionately impacting CT's vulnerable population, including the disabled, low-income, elderly, and those on fixed incomes. These proposals are not popular in other states, including New York, in which reports 72% of voters expressed disapproval. CT's most vulnerable populations view delivery services as a lifeline to access food, groceries, medications, and other daily household essentials, and noted that orders on groceries will increase by 12 percent annually over the next five years. She notes Colorado's increased tax, stating that families "earning less than $75,000 spent 2.5 times as much on delivery taxes ass families earning over $200,000." Price increases and cost increases would occur in smaller businesses, which in turn would reduce demand among consumers. Younger people and women particularly rely on delivery work to make ends meet, and these delivery taxes would disproportionately harm their ability to support themselves. Delivery services takes more people off the road, and imposing a tax such as this would "hinder the state's effort to recue total greenhouse gas emissions to at least 85% below 2001 levels by 2050. She urges the committee to close the loopholes in current law that allows big car rental companies to avoid paying their fair share in taxes and allow the lifeline peer-to-peer services to thrive.

Christopher Gilrein, Executive Director of TechNet Northeast

Mr. Gilrein opposes the bill, arguing that a similar tax was levied in Colorado, and it led to massive compliance costs for local businesses. He highlights section 5, which levies a 28% tax on each retail delivery in the state to be passed to consumers, noting the current economic uncertainty we are going through and significantly high prices on goods. This will lead to less consumer spending and less stabilities of small CT businesses. He further notes the exemption of tangible property not subject sales tax in the state but mentions that this goes into effect if the entire order is to be made up of exclusively tax-exempt goods, creating compliance costs for platforms doing business with CT consumers and driving up their costs. The tax rising annually for inflation will ensure that compliance and delivery costs will rise for consumers along with the cost of everyday needs.

Tim Anop, Director of External Affairs, Yankee Institute

Mr. Anop opposes the bill, specifically section 7, 5, and 1. Section 7, which requires the CTDOT to conduct studies on a mileage-based user fee (MBUF) system, he notes, may lead to future proposals that tax drivers based on the miles they travel and could raise taxes on individuals who rely on cars for travel (especially in rural areas), and that it raises concerns about individuals' privacy and data security. The lack of legislative oversight in this section also raises his concern about the lack of public input about decisions like these being made at the state level. The costs in Section 5, which imposes a 28-cent fee on every retail delivery made by motor vehicle in the state, he notes, will add up quickly for businesses and consumers, and that the regressive delivery charge which disproportionately affect low-incomes families. Section 1, which introduces a 9.35% sales tax and use tax on peer-to-peer car-sharing services, he further expands, would penalize people trying to provide, or use alternative transportation services, and stifle economic growth and innovation.

Gerald Diorio

Mr. Diorio opposes the bill, noting that the 9.35% sales and use tax on peer-to-peer car sharing service will increase costs for consumers who find these services as viable alternatives, especially in urban areas, and will decrease accessibility as usage declines. Establishing a fee on retail delivery disproportionately affects small businesses and could lead to increased prices for consumers and gives small businesses a disadvantage against larger corporations. The repeal of legislative oversight on mileage-based user fee studies does raise concerns about transparency and accountability, and a lack of oversight could lead to policies that don't reflect the interests of CT residents.

Nina Gero

Ms. Gero opposes the bill, specifically section 5. He notes the increasing relevance of using delivery services for acquiring non-retail goods and time management as inflations keep rising and forcing people to work longer to earn more. He does not believe that it is right for the state to charge more to these folks despite a budget surplus. He supports HB 5983 as an alternative to SB 1447 in terms of addressing the tax loophole for peer-to-peer car sharing.

Aaron Goode

Mr. Goode opposes the bill, noting the significance in peer-to-peer car sharing in helping to reduce car ownership, road congestion, the need for surface parking and garages, and VMTs by almost 50% according to national data. He notes a study by the Victoria Transport Policy Institute that says carsharing reduces average vehicle used by 40 to 60 percent among drivers who rely on it. He says providing a tax incentive for car-sharing is not a loophole but is a policy that aligns with Transportation Demand Management goals.

Wayne Pesce, President, Connecticut Food Association

Mr. Pesce opposes the bill, specifically section 2 detailing the retail delivery fee, noting that consumers are paying 20% more for food than a few years ago and layering new fees for delivery places a large burden on CT residents and lead to economic hardship for many. He emphasizes that this fee will hurt the most vulnerable population the most, including seniors, disabled residents, and those in rural areas. Business will face increased costs and consumer increased prices. Urges the state to focus on responsible budget and using the state's resources effectively.

Tim Phelan, President, CT Retail Network

Mr. Phelan opposes the bill, first by emphasizing the significant role of retail businesses on the Connecticut economy, as it brings in more than 470,000 jobs and $34 billion in revenue. He highlights that delivery taxes are regressive and will disproportionately impact the most vulnerable populations of CT, and only further increase the cost-of-living in addition to inflation. This will lead to increased prices in small businesses and disproportionately affect those small businesses that manage their own delivery programs. He notes several states that have rejected similar proposals due to their unpopularity or ineffectiveness. He further argues that if the committee proceed that there should be safeguarded to mitigate the intensity of the fees be making an exemption for local deliveries within 50 miles, place a $100 threshold amount before the tax applies to an order, and include exemptions doe deliveries for deliveries from grocery stores and restaurants, as well essentials including medical supplies and diapers.

Several individuals wrote in opposition for the bill citing that a tax would effectively be placed on elderly people, disabled people, and people with chronic illnesses that rely on these delivery services to receive essential goods.

- Jessica A.
- Dr. Linda Alexander
- Lisa Bernier
- Dana and John Dolan
- Rosemarie Jesse

Several individuals wrote in opposition to the bill as they oppose the State of Connecticut creating any new taxes and that this tax may have a negative impact on the economy.

- Beverly Allen
- Anonymous anonymous
- Jennifer Armenia
- Marguerite Auslander
- Susan Baker
- Gerald Barletta
- Steven Barry
- Charles Baugh
- Marie Blackman
- Cortland & Linda Bryant
- Jeff C
- Carmel Castlevetro
- Robyn Cattey
- Karen Coma
- John Cote
- David Cirstaldi
- Stephen Crowley
- Linda Czaplinski
- Linda Dalessio
- Elizabeth Denny
- Gregory Desmarais
- David Doruch
- Maureen Eberly
- Philip Einsmann Jr.
- Walter Hagedorn

Several individuals submitted testimony in opposition to the bill, sighting the fact that CT is a heavily taxed state. They argue that fixed income and retired folks may not be able to afford this tax and that more people and business will flee, especially small businesses. Delivery companies already subject to road use and other taxes (essentially double taxation), and they want to reduced spending and taxes especially with cost of living going up.

- 2 anonymous individuals
- Frederick Centrella
- Linda Franco
- Mario Fusaro
- Aida Gallagher
- Patti Lyn Gallucci
- Yessenia Gavilanes
- Patricia Green
- Robert Guerrere
- Walter Hagedorn
- Evelyne Haldimann
- Robert Hawley
- Tiffany Hawley
- Art Hendrickson
- Robert Horn
- Marilina Imperati
- David Ioime
- Gregg Jacobson
- Jim Jankoski
- Kristina Johnson
- Evan Kasack
- Kevin Kauffman
- Angela Kelleher
- David Kershaw
- Kenneth Kopsco
- John Kornegay
- Lauren Kutz
- Kimberly Laing
- Roberta Lauria
- Ron Licare
- Carol Longo
- Kenneth Lowell
- Joann Marelli
- Louis Marinelli
- Edward Marshall
- Roberta Martin
- Mike McCann
- Brian Meenan
- Jean Merz
- Justin Miklavzina
- Josephine Mokriski
- James Morin
- Pamela Mulrane

- Thomas Mulrane
- David Nemeth
- Barbara Nieves
- Mike Ninteau
- Karl Noivadhana
- Jennifer O'Brien
- Andrew Olearnick
- Carol Olsen
- Michael Perkins
- Peter Pirulli
- Brian Quillia
- Melissa Reagan
- Margaret Roy
- Maria Russo
- George Saba
- Robert Schackner
- Michael Schmidt
- Eric Schonenberg
- Cynthia Strickland
- Christopher Sullivan
- Joseph Tedone
- Regina Thornton
- Michael Trammel
- Andrea Usami
- Jesiel Vasquez
- Carl Vassar
- Claudia White
- Robert Wnek
- Brian Wood
- Robert Yenkner
- Richard Zank
- Georgia Falk
- Lynn Tyrell
- Nancy Eaton
- Mitchell Connor
- Lelyn and Paula Martin

Reported by: Patrick Riley **Date: 3/21/25**