

## Don't Take Colorado Taxpayers for a Ride!

Voters in Colorado deserve to know that they could be taken for a ride by FASTER, Funding Advancement for Surface Transportation Economic Recovery

If passed into law, the proposed \$2/ day car rental excise tax would make Colorado one of the more expensive places to rent a car in the United States.

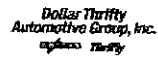
Car rental excise taxes are unfair and discriminatory because they single out a group of consumers and impose an undue financial burden on a segment of the population to pay for a broader, statewide benefit.

No doubt this explains why in 2004 the Denver City Council's Economic Development Committee soundly rejected a proposed car rental excise tax to boost tourism funding, because, as the Denver Post noted, "killing the goose that lays the golden egg is never sound fiscal policy."

According to noted economists and tax policy experts William Gale of the Brookings Institution and Kim Rueben of the Urban Institute, a standard model of good tax policy is to create a broad tax base to spread the burden to all who benefit from the project that is being funded with tax dollars. However, states stray significantly from this concept when levying these taxes on the car-renting public.

In 2006, Gale and Rueben completed a study - commissioned by a member of our industry coalition - which analyzed the impact of rental car taxes. In the study, "Taken for a Ride: The Economic Effects of **Rental Car** Excise Taxes," they found that piling taxes onto car rental customers is both inefficient - because it can distort choices about modes of transportation - and inequitable, because it is hard to fathom why users of one particular industry should bear a disproportionate cost of financing projects that are deemed to have broad community benefits.

Using car rental data from Kansas City, Mo. - where, in 2005, a \$4-per-day **rental car** tax was enacted - Gale and Rueben analyzed and tracked **rental car** transactions in the



market between January 2002 and June 2005. The findings indicated a 9% reduction in **rental car** customers, and as much as a 50% reduction in **rental car** demand among people living near locations where the tax is in effect.