

**Prepared Remarks of
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**United States House of Representatives Committee on Judiciary
Subcommittee on Courts, Commercial and Administrative Law**

"End Discriminatory State Taxes for Automobile Renters Act of 2011"

February 1, 2012

Mr. Chairman and Members of the Committee: On behalf of the Global Business Travel Association (GBTA) and as a member of the Coalition Against Car Rental Excise Taxes, which includes consumers, unions, tax reformers, auto dealers, auto renters and manufacturers, I appreciate the opportunity to testify in support of H.R. 2469, **End Discriminatory State Taxes for Automobile Renters Act of 2011**.

GBTA is the world's leading travel and corporate meetings organization, including 40 local chapters across the nation. Collectively, GBTA's 5000-plus members represent a global industry with an annual \$1 trillion in business travel and meetings expenditures. We provide our members with education and professional development, research, and advocacy. For more than 40 years, the association has been dedicated to the business travel industry.

For years, GBTA and its members have opposed discriminatory car rental taxes in their communities. Our members appreciate the Committee's willingness to consider an effective, uniform remedy to discriminatory car rental taxes.

Business Travel – A Critical Sector of the Economy

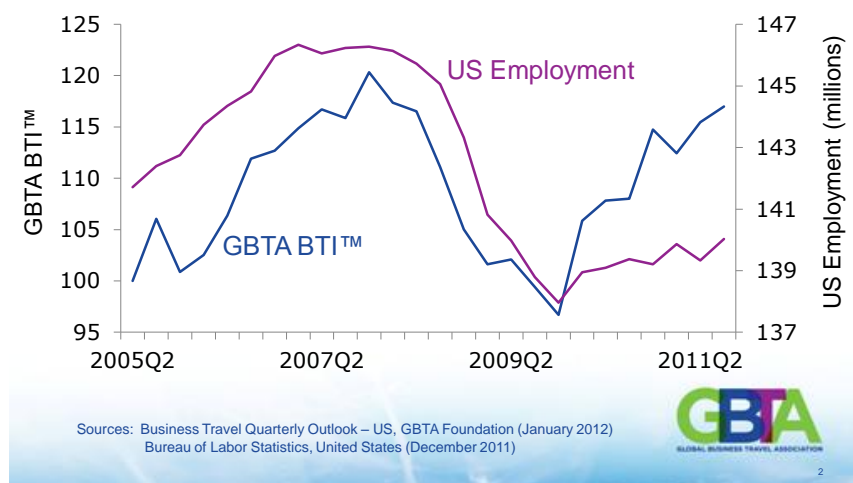
The business travel sector—transportation, lodging, entertainment, meals, meetings and conventions—is a significant component of the United States and world economies. Domestically, 8 million Americans work in travel-and tourism-related businesses. In 2011, U.S. spending on *business travel* topped \$250 billion. Worldwide, over \$1 trillion was spent on *business travel and meetings*.

As part of its work, GBTA actively tracks business travel trends through the Business Travel Quarterly Outlook (BTQ). The latest projections show business travel maintaining an upward trajectory in 2012. This, despite the fact that the business travel sector, a key economic and employment engine in a number of states, suffered a steep decline during the recession. Today U.S. companies operating globally are enjoying export booms and gains in their overall competitiveness. Because of this, we expect corporations to book 3.3% more trips abroad in 2012 and increase their international travel spend 7.7% to \$34.3 billion. This follows 2011 growth of 9.1% in international travel spend.

Our GBTA Business Travel Index™ is a leading indicator of U.S. employment. Put simply, increased *business travel equals increased jobs*. If the GBTA BTI™ increases during a

particular quarter, there is a very high likelihood U.S. employment will also increase during the following quarter.

GBTA Business Travel Index™ and US Employment



The reason is simple: when businesses are confident in a growing economy, they send their employees on the road to secure even more business. This results in an increase in sales for companies, necessitating the hiring of more staff to fill those sales, more employees to accommodate the needs of business travelers and a positive ripple effect throughout the economy.

In 2012, however, GBTA projects that domestic business travel will lag to international. Policy, tax, and funding decisions made by Congress and Administration can have major impacts on the growth and success of domestic business travel - an industry vital to the United States recovery.

Enactment of H.R. 2469 represents one of those policy decisions.

Discriminatory Car Rental Fees – Impacting a Key Economic Sector

Currently, governments in 43 states and the District of Columbia levy 118 different excise taxes on car rentals in various jurisdictions. States, cities and counties often justify the fees by citing budgetary constraints. However, the phenomenal 800% increase in taxes and fees began in 1990, which predates the recent downturn. And these fees often have nothing to do with travel, security or core government operations. The fees are added by local politicians because they wrongly think it only impacts out of town business travelers.

Business travel buyers pay careful attention to state and local travel taxes. When combined with general sales taxes, these taxes and fees significantly increase travel costs. This is important because discriminatory taxes artificially alter the demand for car rentals. U.S. businesses do not need to pour over economic studies to know that travel and demand are elastic: as price increases, in this case artificially, demand decreases. With our analysis finding

the worst offenders indicated in the chart, business travel buyers understand where they are hit the hardest.

**Worst 5
Central City General Sales Tax versus Discriminatory Travel Taxes Cities
Car Rental Taxes Top 50 Destinations**

State	City Location Central City	General sales Tax if applied to \$55.22rental	Actual taxes on \$55.22 rental	Discriminatory increase over general sales tax
MN	Minneapolis	\$4.02	\$10.48	\$6.46
NV	Las Vegas	\$4.47	\$11.10	\$6.63
IL	Chicago	\$5.38	\$13.79	\$8.41
OR	Portland	\$0.00	\$9.39	\$9.39
MA	Boston	\$3.45	\$13.45	\$10.00

To be clear, GBTA and its members are not opposed to reasonable taxes or service charges that finance the costs associated with travel. We understand that a safe, efficient transportation infrastructure requires funding. But business travelers – already a significant driver of revenue - should not be the financing source for sports stadiums, museums and performing arts centers unrelated to travel.

In the past, Congress has correctly exercised its authority to ensure that States and municipalities do not discriminate against interstate travel with selective, excessive taxes and fees. In this light, Congress should act quickly and prohibit new discriminatory taxes on car rentals.

Conclusion

In conclusion, increasing business travel costs through unfair state and local rental car taxes hurts businesses and their travelers, as well as the entire economy. In the past, Congress has provided airline, train, and bus passengers protections from discriminatory taxes. It is now time to extend that protection to car rentals.

Mr. Chairman, thank you for the time to speak in favor of the **End Discriminatory State Taxes for Automobile Renters Act of 2011**. Congressman Cohen, Chairman Graves, thank you for your efforts. I look forward to answering any questions.