
OLR Bill Analysis

sSB 1447

AN ACT SUBJECTING PEER-TO-PEER CAR SHARING TO THE SALES AND USE TAX AND REPEALING THE STATUTE REQUIRING LEGISLATIVE APPROVAL TO STUDY MILEAGE-BASED USER FEES ON STATE HIGHWAYS.

SUMMARY

This bill explicitly subjects short-term peer-to-peer (P2P) car sharing to sales and use tax at the 9.35% rate that applies to short-term car rentals or leases under existing law (see BACKGROUND). As with car rentals and leases, the 9.35% tax rate applies only to P2P car sharing for periods of 30 consecutive days or less. By law, car rentals and leases for longer periods are subject to sales and use tax at the 6.35% rate.

Under the bill, the revenue from sales and use tax on short-term P2P car sharing must be directed as follows: (1) 57.3% to the General Fund, (2) 37.4% to the Special Transportation Fund, and (3) 5.3% to the Municipal Revenue Sharing Fund. The bill requires “peer-to-peer car sharing facilitators” to collect and remit the tax on the short-term P2P car sharing sales they facilitate. It also makes minor and technical changes to the definitions of “peer-to-peer car sharing” and “peer-to-peer car sharing company” and other technical and conforming changes.

The bill also repeals a law prohibiting the Department of Transportation from spending state funds on any studies, programs, or activities regarding a mileage-based user fee on vehicles operating on state roads, unless the legislature approves the expense through a specific process.

EFFECTIVE DATE: July 1, 2025, except the mileage-based user fee provision repeal is effective upon passage and the sales and use tax rate provisions are applicable to sales occurring on or after July 1, 2025.

P2P CAR SHARING FACILITATORS

The bill requires P2P car sharing facilitators to be considered retailers for each taxable retail sale of short-term P2P car sharing. A P2P car sharing facilitator is any P2P car sharing company that (1) facilitates at least \$250,000 in retail sales during the prior 12-month period for shared vehicle owners by providing a car sharing platform; (2) directly, or indirectly through third parties, collects payments for P2P car sharing and remits them to shared vehicle owners; and (3) receives compensation or other consideration for these services.

Under the bill, P2P car sharing facilitators must do the following:

1. obtain a sales tax permit to collect the 9.35% sales tax,
2. collect and remit sales tax on each taxable sale they facilitate,
3. be responsible for all of the obligations that state sales and use tax law imposes as if it were the shared vehicle owner and retailer for the sale, and
4. keep the records and information the Department of Revenue Services (DRS) commissioner requires to ensure proper sales tax collection and remittance.

The bill additionally provides that shared vehicle owners are not liable for collecting sales tax to the extent that the P2P car sharing facilitator collected the tax due.

Existing law applies similar requirements to marketplace facilitators and to short-term rental facilitators (e.g., Airbnb) for the sales they facilitate for sellers on their forums (CGS §§ 12-408e & -408h).

BACKGROUND***DRS Guidance on P2P Car Sharing and Sales Tax***

PA 21-106 required DRS to issue guidance on the applicability of sales and use tax to P2P car sharing. DRS concluded that P2P car sharing may constitute a taxable sale of personal property that is subject to sales and use tax if the sale is made by an entity meeting the definition of a retailer.

It further concluded that P2P car sharing constitutes a lease, and that a P2P car sharing platform may meet state law's definition of a marketplace facilitator. If all these requirements are satisfied, DRS concluded that P2P car sharing companies would be required to collect and remit tax for P2P car sharing sales that occur on their platform.

COMMITTEE ACTION

Transportation Committee

Joint Favorable Substitute

Yea 22 Nay 12 (03/19/2025)