



AMERICANS
for TAX REFORM

May 6, 2009

Multnomah County Oregon Board of Commissioners

RE: Proposed Ordinance on Motor Vehicle Rental Tax Increase

Dear Commissioner,

I write in strong opposition to the proposed ordinance in Multnomah County that would raise the tax on car rentals.

The proposal would drastically increase the Motor Vehicle Rental Tax from 12.5 percent to a whopping 17 percent. This tax hike will not only hurt Portland's tourism industry, but also will dramatically affect local residents and businesses.

Though raising taxes on rental cars tries to unfairly export the tax burden to tourists, much of the tax will be paid by Multnomah County residents and businesses. What policymakers who support rental car tax increases ignore is that the majority of car rentals are actually made by local residents and companies.

These tax hikes can have a large detrimental affect on the local economy. One study shows that a recent localized tax hike led to a 9% reduction in car rentals and as much as an 86% reduction in the number of days cars were rented. Residents and businesses often seek rentals in surrounding counties with lower tax rates, while there will be little to no demand from those living in or operating a company in surrounding counties to rent cars in Multnomah County. As such, this proposed tax increase will result in reduced demand for rental cars and likely not raise the estimated \$4.7 million in new revenue for the county.

A tax hike on rental cars would not only hurt residents and businesses in Multnomah County, but would harm the local tourism industry as well – especially in Portland. High rental car taxes – especially one set at 17 percent – prompt visitors to offset increased costs by spending less on meals, entertainment, or accommodations. Additionally, car rental demand or the length of rentals will decline due to tourists opting to stay in downtown Portland and walk or take other forms of transportation.

For the reasons above, I urge you to oppose this proposed ordinance to raise the rental car tax in Multnomah County. If you have any questions, please contact Kelly Cobb, state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist

722 12th Street N.W.

Fourth Floor

Washington, D.C.

20005

T: (202) 785-0266

F: (202) 785-0261

www.atr.org