

D-06-25-04

Date: June 27, 2025
Bulletin: Dealers and Tag & Title Agents
From: Vehicle Services Division
RE: Excise Tax for Rental Vehicles

PURPOSE

To explain the new excise tax for rental vehicles and the exemption for replacement vehicles used by dealers

SUMMARY

During the 2025 Legislative Session, two bills related to the excise tax for rental vehicles were enacted. [Chapter 604](#) established an excise tax for rental vehicles, and [Chapter 264](#) exempted certain vehicles owned by dealers from this excise tax. Both laws are effective July 1, 2025.

EXCISE TAX – IN GENERAL

Effective July 1, 2025, there is an excise tax on rental vehicles of 3.5% of the vehicle's fair market value. This excise tax was added to Transportation Article, §13-809(c)(1)(ii).

EXCISE TAX – EXEMPTION

A licensed dealer is exempt from paying the 3.5% excise tax if the vehicle will be provided to a customer for use while the "customer's vehicle is not in use due to repair, maintenance, or other vehicle service performed by the dealer." This requirement was added as Transportation Article, §13-810(g).

During the titling process, a dealer can claim this exemption if the dealer will provide the vehicle to a customer while the dealer is repairing, maintaining, or performing other services to the customer's vehicle. The dealer cannot claim the exemption if the dealer will provide this vehicle to customers when their vehicle is not being repaired, maintained, or serviced.

If a vehicle titled under the excise tax exemption for a "loaner" vehicle is to be used as a rental vehicle, taxes and appropriate fees will be required.

ERT SYTEM UPDATES

All ERT vendors must make software changes to provide for the excise tax exemption. We provided all ERT vendors an updated Electronic Registration & Titling Interface Control Document with the changes needed.

COMPLIANCE WITH EXEMPTION

Effective July 1, 2025, MVA Internal Auditing will review the documentation retained by the dealerships related to the exemption of excise taxes on loaner vehicles when conducting their dealership audits.