



**ARIZONA STATE SENATE**  
*Fifty-Fifth Legislature, First Regular Session*

**AMENDED**  
FACT SHEET FOR S.B. 1720

peer-to-peer car sharing

Purpose

Establishes guidelines for insurance requirements, safety recalls, taxation and surcharge collection for vehicle sharing transactions that occur on a peer-to-peer car sharing program (P2P Program).

Background

Peer-to-peer car sharing is a relatively new sector of the sharing economy which involves the activity of acquiring, providing or sharing access to goods and services that are facilitated by a community-based online platform. The premise of car sharing is similar to that of an online lodging marketplace in which the owner of a vehicle registers their vehicle with an online program, thereby making their vehicle available for use by a renter when the owner is not using it. The renter uses the vehicle for a predetermined amount of time and pays an hourly or daily fee, which is then transmitted to the owner of the vehicle with a percentage of proceeds withheld by the online provider.

Currently, a person engaged in the business of renting motor vehicles without drivers is required to collect a five percent surcharge on each rental contract that is for a period of fewer than 180 days. The surcharge is computed on the total amount stated in the contract less any applicable taxes, and is a reimbursement for the amount of the vehicle license tax imposed on the vehicle ([A.R.S. § 28-5810](#)). Rental car surcharges are also levied and collected by the Arizona Sports and Tourism Authority (AZSTA) and stadium districts ([A.R.S. §§ 5-839](#); and [48-4234](#)).

According to the National Conference of State Legislatures, at least nine states have passed legislation relating to peer-to-peer car sharing since 2010. ([NCSL](#)). Peer-to-peer car sharing legislation passed so far generally addresses: 1) insurance requirements and liability for peer-to-peer programs; 2) consumer disclosure agreements; 3) safety recalls and consumer protection; and 4) concession agreements with airport authorities. At least Maryland, Florida and Hawaii have introduced legislation in 2021 to address the taxation of peer-to-peer car sharing programs. Maryland originally passed legislation in 2018 that sunset on July 1, 2020 that, in part, required the Maryland Motor Vehicle Division and the Maryland Office of the Comptroller to compile certain information that could assist the Maryland Legislature in determining fair and equitable taxation on peer-to-peer transactions.

S.B. 1720 may have an impact on the state General Fund (GF) if the taxation of peer-to-peer car sharing transactions and surcharges collected from these transactions result in greater revenues for the GF.

Provisions

*Transaction Privilege Tax and Surcharges*

1. Subjects a shared vehicle transaction to Transaction Privilege Tax (TPT) and affiliated excise taxes.
2. Specifies that a P2P Program that accepts payment for a shared vehicle transaction in Arizona is subject to TPT and affiliated excise taxes.
3. Exempts a shared vehicle transaction from the vehicle license surcharge.
4. Exempts a shared vehicle transaction from the AZSTA surcharge and the stadium district surcharge if the shared vehicle owner (owner) certifies to the Arizona Department of Revenue (ADOR) on a prescribed form that the vehicle is an individual-owned shared vehicle.
5. States that if a shared vehicle is an individual-owned shared vehicle, a P2P program is not subject to AZSTA or stadium district surcharges.
6. Requires ADOR to verify that the vehicle is an individual-owned shared vehicle by determining whether TPT or use was paid for the purchase of the vehicle.
7. Allows a P2P Program to rely in good faith on an owner's representation that the shared vehicle is an individual-owned shared vehicle certified with ADOR.
8. Exempts a P2P Program from liability for any tax, penalty, fee or other sanction imposed on an owner if a P2P Program relied in good faith on an owner's representation of a vehicle being an individual-owned shared vehicle.
9. Prohibits a county, city, town or political subdivision of Arizona from imposing any additional taxes, fees or charges on the gross proceeds or gross income of a shared vehicle transaction that are not imposed by a jurisdiction on every other transaction involving motor vehicles for hire without drivers.
10. Requires a P2P Program to register with ADOR for a license to pay taxes levied in Arizona and one or more counties, cities, towns or special taxing districts that are due from a shared vehicle transaction, subject to outlined limitations.
11. Requires a P2P Program to remit AZSTA and stadium district surcharges that involve a vehicle that has not been certified with ADOR as an individual-owned shared vehicle.
12. Provides an owner with an exclusion from any applicable taxes levied on shared vehicle transactions for which the P2P Program has collected and remitted applicable taxes.
13. Requires a P2P Program licensed by ADOR to:
  - a) electronically remit applicable TPT and local excise taxes to ADOR as well as any surcharges due for transactions involving vehicles that are not individual-owned shared vehicles; and
  - b) electronically report the taxes monthly and remit the aggregate total amounts for each respective taxing jurisdiction.

14. Requires a P2P Program to retain surcharge and tax information for each vehicle sharing transaction and provide the information to ADOT upon request.
15. Specifies that a P2P Program is not required to list or otherwise identify an individual-owned shared vehicle on any return or any attachment to a return.
16. Specifies that the remittance of TPT or any other tax applicable to shared vehicle transactions by a P2P Program fully satisfies any obligation of an owner to remit taxes applicable to the transaction.
17. Requires a shared vehicle transaction to be sourced as follows:
  - a) to the permanent address of the registered owner if the owner is registered in Arizona;
  - b) to the street address in Arizona where the owner resides while in Arizona if the shared vehicle is registered in another state or country.
18. Specifies that the personal property rental tax classification includes peer-to-peer car sharing and does not include the gross proceeds or gross income received by an owner from a shared vehicle transaction.

#### *Airports*

19. States that a public airport is not prohibited or restricted from implementing rules or licensing requirements or from assessing fees or charges to shared vehicle transactions that either:
  - a) are conducted at a public airport; or
  - b) use an off-airport shuttle service provider contracted with the airport to access a shared vehicle off the public airport premises.

#### *Insurance Liability*

20. Requires a P2P Program to assume liability of an owner for bodily injury or property damage during the car sharing period in an amount stated in the program agreement but not less than statutorily prescribed minimums.
21. Negates assumed liability for bodily injury or property damage to a third party in an amount greater than minimum required insurance coverage if:
  - a) an owner makes an intentional or fraudulent material misrepresentation or omission to the P2P Program before the car sharing period in which the loss occurs; or
  - b) an owner acts in concert with a shared vehicle driver (driver) who fails to return the shared vehicle pursuant to the P2P Program agreement.
22. Specifies that the assumption of liability applies to bodily injury and property damage to third parties notwithstanding the car sharing termination time.
23. Requires a P2P Program to ensure that an owner and driver both have insurance policies that provide minimum required insurance coverage during a car sharing period in statutorily prescribed minimum amounts.

24. Specifies that the insurance policies must either:
  - a) recognize that the shared vehicle insured under the policy is made available and used through a P2P Program; or
  - b) not exclude the use of a shared vehicle by a driver.
25. Allows insurance requirements during a car sharing period to be met by an owner, driver or P2P Program, or a combination of all three.
26. States that the insurance required during a car sharing period is primary during each sharing period.
27. Requires a P2P Program to assume primary liability for a claim if:
  - a) the P2P Program provides the required insurance in whole or in part;
  - b) a dispute exists as to who was in control of the shared vehicle at the time of the loss; and
  - c) the P2P Program for any reason fails to provide information related to a shared vehicle transaction that are required to be retained as specified.
28. Requires insurance maintained by a P2P Program to provide coverage for the car sharing period beginning with the first dollar of a claim if insurance held by either the owner or driver has lapsed or does not provide the required coverage.
29. Specifies that if insurance held by either an owner or driver has lapsed or does not provide required coverage, a P2P Program has a duty to defend a claim unless an intentional fraudulent misrepresentation or other outlined exception has occurred.
30. Requires a shared vehicle's insurer to indemnify a P2P Program to the extent of the P2P Program's obligation if the owner was in control of a shared vehicle at the time of a loss.
31. Specifies that insurance maintained by a P2P Program is not dependent on a motor vehicle liability insurer first denying a claim under any other motor vehicle insurance policy.
32. Prohibits a P2P Program from:
  - a) offering or selling insurance except in conjunction with and incidental to car sharing agreements;
  - b) advertising, representing or otherwise portraying itself or any of its employees or agents as licensed insurers or insurance producers, unless the P2P Program is a licensed insurer or insurance producer;
  - c) paying a person any compensation, fee or commission that is dependent on the placement of insurance under a P2P Program's license; and
  - d) requiring an owner or driver to purchase personal motor vehicle liability insurance through the P2P Program as a condition of using the P2P Program.
33. Specifies that a P2P Program is not prohibited from recovering its insurance costs incurred in satisfying its obligations from an owner or driver.
34. Specifies that production or incentive payments to an employee are not prohibited if the payments are not dependent on the sale of insurance.

35. States that the liability of a P2P Program for any act or omission resulting in injury to any person as a result of the use of a shared vehicle is not limited by the provisions of this legislation.
36. States that the ability of a P2P Program to seek indemnification from an owner or driver for economic losses due to a breach in an agreement by the owner or driver is not limited by the provisions of this legislation.

#### ***Sharing a Vehicle with a Lien***

37. Requires a P2P Program to notify an owner who registers a vehicle on a P2P Program prior to the vehicle becoming available on the P2P Program of both of the following:
  - a) that sharing a vehicle that has a lien may violate the terms of the contract with the lienholder; and
  - b) that the contract with the lienholder may impose specific requirements for physical damage coverage.

#### ***Authorized Insurer Exclusions***

38. Allows an insurer that writes motor vehicle liability insurance to exclude any and all coverage and the duty to defend or indemnify any claim against an owner's personal liability insurance policy, including:
  - a) bodily injury coverage;
  - b) property damage coverage;
  - c) uninsured and underinsured motorist coverage;
  - d) medical payments coverage;
  - e) comprehensive coverage; and
  - f) collision coverage.
39. Specifies that exclusions in policies for motor vehicles, including policies that exclude coverage for vehicles made available for rent, sharing, hire or for any business use, are not invalidated or limited by this legislation.

#### ***Records Retention***

40. Requires a P2P Program to collect records relating to a shared vehicle, including times used, fees paid by a driver and monies received by an owner, to be made available on request of the owner, owner's insurer or driver's insurer in order to facilitate a claim investigation.
41. Requires such records to be retained for at least two years.

#### ***Vicarious Liability***

42. Exempts a P2P Program and an owner from vicarious liability under any state or local law that imposes liability solely based on vehicle ownership.

### ***Insurance Indemnification***

43. Allows an insurer to seek indemnification from a P2P Program's insurer for a claim involving a shared vehicle excluded from the insurer's policy if the claim:
- a) is made against the owner or driver for loss or injury that occurs during the car sharing period; and
  - b) is excluded under the terms of the insurer's policy.

### ***Insurable Interests***

44. Stipulates that a P2P Program has an insurable interest in a shared vehicle during the car sharing period, but that a P2P Program is not required to maintain mandated coverage.
45. Allows a P2P Program to purchase one or more motor vehicle insurance policies that provide coverage for:
- a) liabilities assumed by the P2P Program under a P2P Program agreement;
  - b) any liability of the owner; or
  - c) damage or loss to the shared vehicle or for any liability of the driver.

### ***Car Sharing Program Agreements***

46. Requires a P2P Program agreement to disclose to the owner and driver:
- a) that the P2P Program has a right to seek indemnification from the owner or driver for economic loss sustained resulting from a breach in a P2P Program agreement;
  - b) that a motor vehicle liability insurance policy issued to the owner or driver does not provide a defense or indemnification for any claim asserted by the P2P Program;
  - c) that the P2P Program's insurance on an owner or driver only applies during a car sharing period and that the owner or driver may not have insurance when operating a shared vehicle after the *car sharing termination time*;
  - d) the daily rate, fees and insurance or protection package costs that are charged to an owner or driver;
  - e) that the owner's motor vehicle liability insurance policy may not provide coverage for a shared vehicle;
  - f) an emergency telephone number for roadside assistance and other customer service inquiries;
  - g) whether there are conditions that require a person to maintain a personal motor vehicle liability insurance policy with certain minimum coverage limits on a primary basis in order for the person to become a shared vehicle driver; and
  - h) that the owner's or driver's motor vehicle liability insurance may already provide coverage as required.
47. Prohibits a P2P Program from entering into a P2P Program agreement with a driver unless the driver:
- a) holds a valid driver license issued by the Arizona Department of Transportation (ADOT) for the class of the shared vehicle;
  - b) is a nonresident that holds a valid driver license issued by the state or country of the driver's residence for the class of the shared vehicle and is at least the same age as required of a resident to drive that class of vehicle; or
  - c) otherwise is specifically authorized by ADOT to drive vehicles of the shared vehicle class.

48. Requires a P2P Program to keep record of:
- a) the name and address of each driver;
  - b) the driver license number of each driver; and
  - c) the date and place of issuance of the driver's driver license.

#### ***Equipment Responsibility***

49. States that a P2P Program has sole responsibility for any equipment that is put in or on a shared vehicle to monitor or facilitate the shared vehicle transaction.
50. Requires a P2P Program to hold an owner harmless for damage to or theft of equipment during a sharing period if the owner is not the cause of damage or theft.
51. Allows a P2P Program to seek indemnity from a driver for any loss or damage to the equipment that occurs during the car sharing period.

#### ***Safety Recall***

52. Requires a P2P Program to verify that a vehicle registered by an owner does not have unrepaired safety recalls before the vehicle is made available on the P2P Program.
53. Requires a P2P Program to notify an owner of requirements related to safety and recall and removal of a vehicle from the P2P Program.
54. Prohibits an owner from making a vehicle available for rent on a P2P Program if any safety recalls have been issued for the vehicle until repairs to remedy the safety recall have been made.
55. Requires an owner who receives a notice of a safety recall while a vehicle is currently available on a P2P Program to remove the vehicle from the P2P Program as soon as practicable.
56. Prohibits an owner from making the vehicle available on a P2P Program again until the safety recall is repaired.

#### ***Vehicle Manufacturers and Dealers***

57. States that this legislation does not expand or restrict the respective rights, obligations and limitations of motor vehicle manufacturers and licensed motor vehicle dealers set forth in statute relating to franchise regulation.
58. Requires an owner, if a shared vehicle is in the possession of a driver when a safety recall is issued, to notify the P2P Program as soon as practicable after receiving the recall so that an owner may address the safety recall.

#### ***Definitions***

59. Defines *car sharing delivery period* as the period of time during which a shared vehicle is being delivered to the location of the car sharing start time as documented by the governing car sharing program agreement.

60. Defines *car sharing period* as the period of time that begins with the car sharing delivery period or the car sharing start time if there is no car sharing delivery period and ends at the car sharing termination time.
61. Defines *car sharing program agreement* as the terms and conditions that apply to a shared vehicle owner and a shared vehicle driver and that govern the use of a shared vehicle through a peer-to-peer car sharing program and does not include a rental agreement for a rental car company.
62. Defines *car sharing start time* as the time when a shared vehicle becomes subject to the control of the shared vehicle driver at or after the time that the reservation of the shared vehicle is scheduled to begin as documented in the records of a peer-to-peer car sharing program.
63. Defines *car sharing termination time* as the earliest of the following:
  - a) the agreed period of time established for the use of a shared vehicle in the governing car sharing program agreement expires and the shared vehicle is delivered to a location that is specified in the governing car sharing program agreement;
  - b) when the shared vehicle is returned to a location as alternatively agreed on by the shared vehicle owner and shared vehicle driver as communicated through peer-to-peer car sharing program; or
  - c) the shared vehicle owner or the shared vehicle owner's designee takes possession and control of the shared vehicle.
64. Defines *individual-owned shared vehicle* as one of the following:
  - a) if the shared vehicle is purchased in Arizona, a shared vehicle for which the owner certifies that the transaction privilege tax was paid on the purchase of the shared vehicle;
  - b) if the shared vehicle is not purchased in Arizona, a shared vehicle for which the owner certifies that the applicable sales or use tax was paid in the jurisdiction in which the shared vehicle was purchased if that jurisdiction levies a sales or use tax on the purchase of motor vehicles; or
  - c) if the shared vehicle is not purchased in Arizona, a shared vehicle for which the owner certifies that the applicable use tax was paid to Arizona and the appropriate local jurisdiction.
65. Defines *peer-to-peer car sharing* as the authorized use of a shared vehicle by an individual other than the shared vehicle owner through a peer-to-peer car sharing program and does not include:
  - a) a rental vehicle as defined in statute;
  - b) a business that rents vehicle to renters under a rental agreement as defined in statute;
  - c) a business that rents motor vehicles without drivers that is subject to the vehicle license surcharge; and
  - d) a motor vehicle lease or rental that is subject to the AZSTA surcharge or the stadium district surcharge.
66. Defines *peer-to-peer car sharing program* as a business that connects vehicle owners with drivers to enable the sharing of vehicles for financial consideration and does not include a rental company or a person or entity that is engaged in the business of renting motor vehicles without drivers and that collects a vehicle license surcharge.



67. Defines *shared vehicle* as a vehicle that is available for sharing through a peer-to-peer car sharing program and does not mean a rental car or rental vehicle.
68. Defines *shared vehicle driver* as an individual who has been authorized to drive the shared vehicle by the shared vehicle owner under a car sharing program agreement.
69. Defines *shared vehicle owner* as the registered owner, or a person or entity designated by the registered owner, of a vehicle that is made available for sharing to shared vehicle drivers through a peer-to-peer car sharing program.
70. Defines *shared vehicle transaction* as the authorized use of a shared vehicle by an individual other than the shared vehicle's owner through a peer-to-peer car sharing program and does not include:
  - a) a rental agreement as defined in statute;
  - b) a business that rents motor vehicles without drivers that is subject to the vehicle license surcharge;
  - c) a business that leases or rents motor vehicles for hire without a driver for less than one year if the shared vehicle is an individual-owned shared vehicle; and
  - d) a motor vehicle lease or rental that is subject to the stadium district surcharge.

#### *Miscellaneous*

71. Makes technical and conforming changes.
72. Becomes effective on the general effective date.

#### Amendments Adopted by Committee

1. Specifies that shared vehicle transactions involving an off-airport shuttle service to access a shared vehicle are subject to the rules, licensing requirements and fee assessments of a public airport.
2. Specifies that a county, city, town or political subdivision may levy additional taxes, fees or charges on shared vehicle transactions that are also imposed on transactions involving vehicles for hire without drivers.
3. Removes qualifying language that states a P2P Program is subject to TPT and affiliated excise taxes if the P2P Program's gross proceeds derived from business conducted in Arizona is more than \$100,000.
4. Modifies the definition of *individual-owned shared vehicle*.
5. Makes technical changes.

#### Senate Action

FIN                      2/17/21      DPA      9-0-1

Prepared by Senate Research  
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ZD/gs