

# Summary

## Vehicle Rental Tax

*Copies of the entire audit are available upon request.*

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Motor vehicle rental companies in Multnomah County collect a 10% excise tax and remit it on a quarterly basis to the Treasury section of the County's Finance Division. In FY93-94, the County collected approximately \$6.4 million in taxes from 35 rental companies. Over 85% of this amount was remitted by six large companies which have sites located at the Portland airport.

Overall, we found that most rental companies comply with filing deadlines. However, we also found some cases indicating more attention is needed to ensure compliance with the tax code. In one case, a rental company had not filed its return for five quarters and owed over \$50,000 in taxes. We also found that many companies were not complying with the County's licensing requirement. Turnover of Treasury staff who were responsible for administering the tax, combined with a lack of written procedures, contributed to these problems.

Treasury should increase monitoring efforts to ensure compliance. However, to keep administrative costs low, Treasury should further automate its record-keeping. Additionally, Treasury should investigate the possibility of coordinating efforts with the Port of Portland staff who also audit the airport rental companies.

Some provisions of tax code may need revision or clarification through written procedures. Treasury should investigate the need for annual license renewals. In addition, the ability of the County to audit records could be strengthened. Treasury should also seek to clarify the taxability of miscellaneous charges to customers, as well as the application of penalties to late filers.

