

Date of Hearing: May 6, 2025

Fiscal: No

ASSEMBLY COMMITTEE ON PRIVACY AND CONSUMER PROTECTION

Rebecca Bauer-Kahan, Chair

AB 1374 (Berman) – As Amended April 24, 2025

PROPOSED AMENDMENTS

SUBJECT: Rental passenger vehicle transactions: third parties

SYNOPSIS

In recent years, the Legislature has taken action to eliminate “drip pricing,” a deceptive practice in which the full cost of a good or service is gradually revealed to the customer, such as disclosure of additional fees and taxes only when the consumers are at the end of the transaction process, after having been drawn in with a lower advertised cost. AB 537 (Berman, Stats. 2023, Ch. 537) specifically took on hidden fees in the context of hotels and short-term lodging and SB 478 (Dodd, Stats. 2023, Ch. 400) broadly established a general requirement for upfront pricing.

As SB 478 progressed, certain exemptions were added, including for rental car companies, which were already subject to a statute that governs disclosure of costs associated with a rental. However, concerns persist that some rental companies and their third-party partners have not been fully transparent with their pricing schemes, undermining consumers’ ability to make informed choices when comparison shopping.

This bill, sponsored by the Consumer Federation of California, seeks to shore up the statute governing rental price transparency by requiring rental companies and third parties to provide consumers an estimate of the total cost of the charge of the rental car, including taxes and fees imposed by a government, as soon as potential dates for the rental company or third party are received. The bill would also subject third parties to other applicable disclosure requirements and would provide that third parties are not responsible for the failure of rental companies to provide accurate pricing information, mirroring an existing provision that states rental companies are not responsible for the failure of third parties to provide accurate pricing information.

The bill is opposed by rental companies. Clarifying amendments are described in Comment #4.

THIS BILL:

- 1) Requires rental companies, when providing a quote or imposing charges for a rental, to provide a total charges estimate for the entire rental, including all taxes and fees imposed by a government, as soon as dates, location, and vehicle type or class for the rental are provided to the rental company or third party.
- 2) Replaces a requirement that rental companies provide a good faith estimate with an estimate of the total charges.

- 3) Incorporates third parties into certain requirements governing disclosures associated with the costs of renting a car. Provides that third parties are not liable for the failure of rental car companies to provide accurate disclosures.

EXISTING LAW:

- 1) Defines:
 - a. “Rental company” as a person or entity in the business of renting passenger vehicles to the public. (Civ. Code § 1939.01(a).)
 - b. “Additional mandatory charge” as any separately stated charges that the rental company requires the renter to pay to hire or lease the vehicle for the period of time to which the rental rate applies, which are imposed by a governmental entity and specifically relate to the operation of a rental vehicle business, including, but not limited to, a customer facility charge, airport concession fee, tourism commission assessment, vehicle license recovery fee, or other government-imposed taxes or fees.
- 2) Requires rental companies, when providing a quote, to separately state the rental rate, additional mandatory charges, if any, and the mileage charge, if any, that a renter must pay to hire or lease the vehicle for the period of time to which the rental applies. Prohibits a rental company from charging, in addition to the aforementioned charges, any additional fee required to be paid by the renter as a condition of hiring or leasing the vehicle. (Civ. Code § 1939.19(a).)
- 3) Requires, if additional mandatory charges are imposed, that the rental company must, among other things, provide the person receiving the quote with a good faith estimate of the rental rate and all mandatory charges, as well as the total charges for the entire rental. The good faith estimate may exclude mileage charges and charges for optional items that cannot be determined prior to completing the reservation based upon the information provided by the person. (*Id.* at (b)(1).)
- 4) Requires, if a rental company states a rental rate in print advertisement or in a quotation, that the rental company disclose clearly in that advertisement or quotation the terms of mileage conditions related to the advertised or quoted rental rate, as specified. (*Id.* at (f).)
- 5) Requires that all rate advertisements include a disclaimer that is prominently displayed and that states that additional mandatory charges may be imposed and indicating that this information, including an estimate of the total rental costs, is displayed on the rental company’s website. Rate advertisements must also include a statement that additional charges may apply if an optional good or service is purchased. (*Id.* at (g).)
- 6) Requires, if any person or entity other than a rental company advertises a rental rate for a vehicle rental that includes mandatory charges, the person must clearly disclose the existence and amount of the charges. Provides that if a rental company provides the person or entity with rental rate and additional mandatory charges information, the rental car company is not responsible for the failure of that person or entity to comply with this provision. (*Id.* at (h).)
- 7) Provides that a renter may bring an action against a rental company for the recovery of damages and appropriate equitable relief for violations of the statutes governing rental

passenger vehicle transactions, with certain exceptions. The prevailing party is entitled to recover costs and reasonable attorney's fees. (Civ. Code § 1939.25.)

- 8) Excludes rental companies from upfront pricing requirements added by SB 478. (Civ. Code § 1939.20.)

COMMENTS:

1) **Author's statement.** According to the author:

Deceptive price advertising, such as hidden or surprise fees, has significantly increased over time. In 2023, I authored legislation that was signed into law to address hidden fees in the hotel and short-term lodging industry. Similarly, consumers are not always shown the full cost of a rental car and some require consumers to click through multiple web pages—a gradual reveal strategy that economists call drip pricing. While there are some in the rental car space that already provide upfront pricing on their websites, others add on fees at the tail end of a transaction or confirmation of a reservation. For those that do not provide the total cost upfront, these deceptive tactics mislead consumers and limit their ability to comparison shop.

To ensure rental car upfront price transparency, AB 1374 would require that the total cost of a rental car be disclosed as soon as consumers select information such as dates. This bill is a continuation of consumer protection efforts to ensure that the advertised cost is the real price consumers pay and would allow consumers to make informed decisions.

2) **Background.** Effective July 1, 2024, SB 478 prohibits most businesses from “advertising, displaying, or offering a price for a good or service that does not include all mandatory fees or charges” except for government taxes, fees, and shipping costs.¹ SB 478 was “intended to specifically prohibit drip pricing, which involves advertising a price that is less than the actual price that a consumer will have to pay for a good or service.”

As SB 478 progressed, certain exemptions were added, including rental cars, which were already subject to a specific disclosure regime. Civil Code section 1939.19 requires rental companies, when providing a quote to separately state the rental rate, additional mandatory charges such as taxes, and a mileage charge, if any. Rental companies are prohibited from requiring renters to pay more than this amount. If additional mandatory charges are imposed, rental companies must provide a good faith estimate of the rental rate and all mandatory charges, as well as the total charges for the entire rental.

Despite this ostensibly robust disclosure regime, the bill's sponsor, Consumer Federation of California, has found that certain companies have failed to clearly disclose total estimated charges for the entire rental at the start of the reservation process, tacking on as much as \$100 dollars the tail end of the confirmation of the reservation. The sponsor provided the following findings:

¹ Civ. Code § 1770(a)(29).

Avis	Hertz	Enterprise
<i>Sac Airport</i> 4/14 10am – 4/18 10am Full-Size Advertised Price: \$291.96 Estimated Total: \$401.33	<i>Sac Airport</i> 4/14 10am – 4/18 10am Small Sedan Advertised Price: \$308 Estimated Total: \$308.29	<i>Sac Airport</i> 4/14 10am – 4/18 10am Compact Advertised Price: \$462.96 Estimated Total: \$462.96
<i>Sac Downtown</i> 4/14 10am – 4/18 10am Full-Size Advertised Price: \$262.16 Estimated Total: \$293.80	<i>Sac Downtown</i> 4/14 10am – 4/18 10am Small Sedan Advertised Price: \$227 Estimated Total: \$226.60	<i>Sac Downtown</i> 4/14 10am – 4/18 10am Compact Advertised Price: \$264.95 Estimated Total: \$264.95
<i>Sac Airport</i> 4/18 3pm – 4/21 3pm Minivan Advertised Price: \$263.97 Estimated Total: \$358.31	<i>Sac Airport</i> 4/18 3pm – 4/21 3pm Minivan Advertised Price: \$549 Estimated Total: \$549.25	<i>Sac Airport</i> 4/18 3pm – 4/21 3pm Minivan Advertised Price: \$334.98 Estimated Total: \$334.98

Additionally, concerns have been raised about the failure of third party platforms – which are not subject to the requirements described above – to provide upfront pricing for rental vehicles.

3) **What this bill would do.** This bill seeks to improve rental car pricing transparency by requiring rental companies and third parties to provide consumers an estimate of the total cost of the charge of the rental car, including taxes and fees imposed by a government, as soon as potential dates for the rental company or third party are received.² The bill also replaces the requirement that rental companies provide a good faith estimate with an estimate of the total charges.

The bill would also subject third parties to other applicable disclosure requirements and would provide that third parties are not responsible for the failure of rental companies to provide accurate pricing information, mirroring an existing provision that states rental companies are not responsible for the failure of third parties to provide accurate pricing information. Consistent with general tort law principles, each entity is responsible only for its own wrongdoing.

Proponents argue that these changes will ensure that unscrupulous actors will no longer be able to get away with deceptive pricing tactics, and rental car customers will be equipped with all the necessary information to make fully informed decisions.

4) **Amendments.** The author has agreed to make clarifying amendments to the aforementioned liability provision. Under existing law, that section generally requires third parties, including passenger carriers and sellers of travel services, to disclose the existence and amount of charges. Because this bill subjects third parties, including those entities, to more specific disclosure requirements, this language has been rendered superfluous and thus is omitted in the

² This is similar to AB 1222 (McKinnor, 2023), which would have amended Civil Code section 1939.19 to include the following language: “A rental company shall only advertise or quote a rental rate that includes the entire amount that the renter is required to pay to hire or lease the vehicle for the period of time to which the rental rate applies, including, but not limited to, additional mandatory charges and any gas or mileage charge, if applicable.” The bill was referred to this Committee but did not receive a hearing.

amendments. Additionally, the amendments make it clear that the language absolving third parties of responsibility for inaccurate pricing information provided by a rental company applies only if the rental company *opts* to provide the third party with such information. Finally, the amendments make a technical change to clarify the provision applies to failures to comply with the *section* governing price disclosures rather than the *subdivision* containing the liability language – which would be an empty tautology. The amendments are as follows:

~~(h) If any person or entity other than a rental company or third party advertises a rental rate for a vehicle rental that includes additional mandatory charges, that person or entity shall clearly disclose the existence and amount of the charges. If a rental company provides the person or entity a third party with rental rate and additional mandatory charges information, the rental company is not responsible for the failure of that person or entity third party to comply with this subdivision section. If a rental company does not provide the third party with rental rate and additional mandatory charges information~~ ***If a rental company provides a third party with rental rate and additional mandatory charges information in a manner that does not comply with this section***, the third party is not responsible for the failure of the rental company to comply with this ~~subdivision~~ ***section***. ~~For purposes of this subdivision, “person or entity” includes a passenger carrier or a seller of travel services.~~

ARGUMENTS IN SUPPORT: Consumer Federation of California, sponsor of the bill, write:

Consumers’ time and money is valuable; therefore, they should not be deceived into rental car contracts that lack transparency in their pricing models and instead mislead consumers with low prices that are later not upheld. AB 1374 aims to address these challenges by ensuring that consumers are equipped with all the necessary information to make an informed decision and that businesses with fair practices are rewarded. Through this legislation, we can ensure a fair, competitive market that is driven by the consumer’s best interest.

ARGUMENTS IN OPPOSITION: In opposition to the bill, Avis Budget Group, Enterprise Mobility, and Hertz jointly write:

We share the author’s goal of ensuring clear and consistent pricing information across the industry. Deceptive advertising by third parties is no less harmful to consumers and should be subject to the same standards.

As currently drafted, the bill would require companies to provide the total cost of a rental, including taxes and fees, “as soon as potential dates for the rental are provided.” This is impossible. Rental rates depend on multiple variables beyond dates—such as vehicle type and rental location—and cannot be accurately calculated without more specific information. Moreover, requiring a cost estimate based on “potential dates” could lead to confusion or disputes if the actual rental occurs on different dates.

The bill also replaces the existing “good faith estimate” requirement with a “total cost estimate.” Unfortunately, the bill does not define this term and the rationale for this change is unclear. A good faith estimate already requires companies to provide the most accurate pricing possible based on the information available at the time.

REGISTERED SUPPORT / OPPOSITION:

Support

Consumer Federation of California (Sponsor)

Oppose Unless Amended

Avis Budget Group

Enterprise Mobility

Hertz

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