

SENATE JUDICIARY COMMITTEE
Senator Thomas Umberg, Chair
2025-2026 Regular Session

AB 1374 (Berman)
Version: June 5, 2025
Hearing Date: June 24, 2025
Fiscal: No
Urgency: No
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SUBJECT

Rental passenger vehicle transactions: third parties

DIGEST

This bill bolsters the law governing advertised rental vehicle rates.

EXECUTIVE SUMMARY

The issue of “junk” fees and other pricing schemes gained more prominence nationally when President Joe Biden took aim at them in his State of the Union address in February 2023. There are various types of pricing schemes generally deemed unfair or unlawful business practices and California has a host of laws aimed at rooting them out. This includes recent statutes that require pricing transparency and reasonable methods for cancellation of automatic renewal and continuous service offers.

Current law provides certain consumer protections for Californians and visitors renting cars from short-term rental car companies. One imposes requirements on the advertised rates for rental periods. Rental vehicle transactions are specifically exempted from a recent law aimed at combatting “drip pricing” and other junk fees. Concerns have arisen that some rental companies are not being fully transparent in their pricing schemes. Furthermore, there is concern that third parties advertising these rates are deceptive and need to be further regulated.

This bill updates the existing pricing transparency law applying to rental vehicle companies to require these companies to provide the 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. Third parties are also incorporated into the regulatory scheme. This bill is sponsored by the Consumer Federation of California and supported by the Consumer Attorneys of California. It is opposed by Booking Holdings.

PROPOSED CHANGES TO THE LAW

Existing law:

- 1) Governs the obligations arising from rental passenger vehicle transactions. (Civ. Code § 1939.01 et seq.)
- 2) Defines “additional mandatory charges” 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 car business. (Civ. Code § 1939.01(c).)
- 3) Provides, that when providing a quote, or imposing charges for a rental, the rental company may separately state the rental rate, additional mandatory charges, if any, and a mileage charge, if any, that a renter must pay to hire or lease the vehicle for the period of time to which the rental rate applies. A rental company shall not charge in addition to the rental rate, additional mandatory charges, or a mileage charge, as those may be applicable, any other fee that is required to be paid by the renter as a condition of hiring or leasing the vehicle. (Civ. Code § 1939.19(a).)
- 4) Requires a rental company, if additional mandatory charges are imposed, to do each of the following:
 - a) At the time the quote is given, provide the person receiving the quote with a good faith estimate of the rental rate and all additional mandatory charges, as well as the total charges for the entire rental. The total charges, if provided on a website, shall be displayed in a typeface at least as large as any rental rate disclosed on that page and shall be provided on a page that the person receiving the quote may reach by following a link directly from the page on which the rental rate is first provided. 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.
 - b) At the time and place the rental commences, clearly and conspicuously disclose in the rental contract, or that portion of the contract that is provided to the renter, the total of the rental rate and additional mandatory charges, for the entire rental, exclusive of charges that cannot be determined at the time the rental commences. Charges imposed pursuant to this paragraph shall be no more than the amount of the quote provided in a confirmed reservation, unless the person changes the terms of the rental contract subsequent to making the reservation.
 - c) Provide each person, other than those persons within the rental company, offering quotes to actual or prospective customers access to information about

additional mandatory charges, as well as access to information about when those charges apply. Any person providing quotes to actual or prospective customers for the hire or lease of a vehicle from a rental company shall provide the quotes in the manner specified. (Civ. Code § 1939.19(b).)

- 5) Provides additional pricing protections for renters, including disclaimers about additional fees for optional items or services and certain mileage or gas fees.

This bill:

- 1) Requires a rental company or third party to provide the 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, which can include all vehicles, for the rental are provided to the rental company or third party.
- 2) Changes the requirement for rental companies to provide a good faith estimate of rates to a requirement to provide the total charges estimate of the rental rate.
- 3) Applies the statutory requirements governing disclosures associated with the costs of renting a car to third parties.
- 4) Provides that rental companies and third parties are not responsible for the failure of the other to comply with the relevant rental rate laws.

COMMENTS

1. Consumer protection and early termination fees

Drip pricing and hidden junk fees have been an increased focus of government regulators both at the federal level and here in California.

Last year, AB 2863 (Schiavo, Ch. 515, Stats. 2024) bolstered the consumer protections within the law governing automatic renewal and continuous services offers, including prohibitions on failing to obtain affirmative consent to the offer separate from the other terms of the contract. It required more notice to consumers and a method for cancellation in the same medium as used in the initial transaction. AB 537 (Berman, Ch. 805, Stats. 2023) prohibited a place of short-term lodging or an internet website, application, or other similar centralized online platform whereby rental of a place of short-term lodging is advertised or offered from advertising, displaying, or offering a room rate that does not include all required fees or charges, as provided.

In addition, SB 478 (Dodd, Ch. 400, Stats. 2023) made it an unlawful business practice under the Consumer Legal Remedies Act to advertise, display, or offer a price for a good or service that does not include all mandatory fees or charges, except as provided

or exempted. However, relevant here, SB 478 specifically exempted out rental companies that comply with the existing framework in Section 1939.19 of the Civil Code.

The author argues that despite this, some in the rental car industry are “misleading consumers” with deceptive advertised pricing. The author asserts: “Once consumers reach the end of the transaction, the price increases, preventing them from comparison shopping and wasting their time.” The Consumer Federation of California points to an experiment it undertook regarding online pricing for rental vehicles. It identified “instances in which certain companies failed to clearly disclose the total estimated charges for the entire rental at the start of the reservation process, with total costs increasing by more than \$100 in some cases.”

2. Bolstering pricing disclosure laws in the rental company industry

To provide consumers with more effective price transparency protections, this bill requires rental companies to provide the 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, which can include all vehicles, for the rental are provided to the rental company. This ensures a clear price is communicated to consumers once the key variables that greatly affect the final price are established. Given concerns that third parties are separately advertising rates in a deceptive manner, the bill imposes the obligations of the pricing law to third parties. To ensure neither party is held liable for the conduct of the other, the bill makes clear that a failure of a rental company or third party to comply with these provisions does not result in any liability for the other.

According to the author:

Deceptive price advertising, such as hidden or surprise fees, has significantly increased over time and frustrated consumers. 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 price of a rental car upfront. After being drawn in with a lower initial price, additional mandatory fees and taxes are later revealed to consumers during the reservation process. While there are those in the rental car space that already provide upfront pricing on their websites, others have not been fully transparent. For those that do not provide the full price upfront, these deceptive tactics mislead consumers and limit their ability to comparison shop.

To ensure price transparency across the board, AB 1374 would require that the total estimated charges of a rental car be disclosed as soon as consumers select dates, rental location, and vehicle type. This bill is a continuation of consumer protection efforts to ensure that the upfront

price is the real price consumers pay enabling consumers to make informed decisions and comparison shop.

The author has agreed to an amendment that addresses an additional concern in the rental car industry regarding disclosures about the fuel source of a vehicle before completing a reservation.

Amendment:

Add: “(k) A rental company or third party shall clearly indicate the fuel source of the vehicle prior to completion of a reservation.”

3. Stakeholder positions

The Consumer Federation of California, the sponsor of the bill, writes:

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.

Writing in opposition, Booking Holdings argues:

Our mission is to make it easier for everyone to experience the world. We provide a marketplace built on transparency, trust, responsibility and fair competition, in order to serve our customers, who deserve choice, great value and an easy shopping experience.

Accordingly, we support price transparency in the travel sector which has been recently addressed in California and the nation by 2023's AB 537 (Berman) and SB 478 (Dodd), and the Federal Trade Commission's rule on accommodations and live event fees. As such, we feel that AB 1374 is unnecessary for addressing price transparency in the rental car sector, especially for third parties which, unlike rental agencies, are subject to the obligations added to the Consumer Legal Remedies Act with SB 478.

SUPPORT

Consumer Federation of California (sponsor)

Consumer Attorneys of California

OPPOSITION

Booking Holdings

RELATED LEGISLATION

Pending Legislation: AB 1197 (Calderon, 2025) expands the authority of rental vehicle companies to use electronic surveillance of rental vehicles and rolls back liability protections for rental vehicle customers in the event a rental vehicle is stolen. AB 1197 is currently pending in this Committee and is set for a hearing on the same date as this bill.

Prior Legislation:

AB 2863 (Schiavo, Ch. 515, Stats. 2024) *See* Comment 1.

SB 478 (Dodd, Ch. 400, Stats. 2023) *See* Comment 1.

AB 537 (Berman, Ch. 805, Stats. 2023) *See* Comment 1.

AB 2051 (O'Donnell, Ch. 183, Stats. 2016) recast and reorganized the statutes governing transactions between a rental car company and its customers, added requirements for rental company membership programs, and added disclosure requirements relating to mandatory charges added on top of rates.

PRIOR VOTES:

Assembly Floor (Ayes 71, Noes 1)

Assembly Privacy and Consumer Protection Committee (Ayes 13, Noes 0)
