



**Testimony to the House Ways and Means Committee
HB 925– Vehicle Excise Tax – Rate Increase –
Position: Unfavorable**

The Honorable Vanessa Atterbeary
House Ways and Means Committee
131 Lowe House Office Building
Annapolis, MD 21401
cc: Members, House Ways and Means Committee

Feb. 20, 2024

Honorable Chair Atterbeary and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a nonprofit group that works to protect Maryland consumers and secure safety, transparency and fair treatment for Maryland drivers and car buyers.

We oppose **HB 925** because raising the excise tax on new and used car sales would add to the high (and often burdensome) costs Maryland drivers already face to buy and operate the cars most of us need to make a living and meet the needs of our families.

As is well known, the cost of new cars surged dramatically during the pandemic; prices have come down slightly in the last year, but the current average cost of about \$48,000 remains much higher than the 2019 average price of about \$37,000.¹ Used car costs have risen even more sharply -- up about 40% from 2020 to 2023 to an average of about \$27,000 today.² And with interest rates and car prices quite high, consumers are finding it increasingly difficult to meet their car loans. Last month the percentage of borrowers more than 30 days behind on their car loans surged to 7.7%, the highest rate since 2010 (when we were still struggling through the aftermath of a financial crisis).³

While the cost of gas has come down in the last year, other car ownership costs have also surged. Average car insurance costs rose 24% in 2023, after rising 29% the previous year. An average Marylander now pays \$2,645/year for full car coverage, the 8th-highest figure in the nation.⁴ Repair and maintenance costs also went up about 30% from 2020-2023.⁵

In 2023, AAA estimated the cost of owning and operating a new car at more than \$12,000/year, up 13% from the previous year.⁶ That's beyond the reach of many families. Used cars of course are somewhat less expensive to own and operate. But with used car prices and the cost of legally-

¹ <https://www.moneygeek.com/insurance/auto/average-price-of-a-new-car/>

² <https://www.visualcapitalist.com/charted-car-ownership-costs/>

³ <https://money.com/auto-loan-credit-card-bill-delinquencies/?fbclid=IwAR134aaeB4oJ1NBY9l4AXURGQQN8mAzJzmNG4QuIwvZnx5vuQM2Ej7DQFgc>

⁴ https://www.cbsnews.com/news/car-insurance-rates-inflation-costs/?fbclid=IwAR2_5Tq-Rgc04eVRik62tqrEg6ys0zP4Jqt9ix1rknc8U-A71cEI-KjNqic

⁵ <https://www.visualcapitalist.com/charted-car-ownership-costs/>

⁶ <https://www.nytimes.com/2023/09/22/your-money/car-ownership-costs-increase.html>



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required insurance way up (and insurance very expensive in many urban and lower-income neighborhoods) even a used car can be financially burdensome for many lower and even middle-income people.

Raising the excise tax from 6% to 6.5% -- as **HB 925** would do -- would add about \$250 in taxes to the cost of an average new car and about \$150 in tax costs to the price of an average used car. While that might seem a modest surcharge for an expensive transaction, it would add meaningful extra costs for many Marylanders who are already burdened by the high cost of car ownership but live in communities where they have little choice but to buy a car to meet their needs.

This rate hike seems especially unwarranted given that excise tax revenues are not in decline (unlike many other sources of transportation funding) but instead have already been boosted by the higher costs of new and used cars.

We oppose HB 925 and ask you to give it an UNFAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto