



Auto Consumer Alliance

13900 Laurel Lakes Avenue, Suite 100
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**Testimony to the House Ways and Means Committee
HB 1246 – Vehicle Excise Tax – Leased Vehicles – Alteration
Position: Favorable**

March 2, 2021

The Honorable Anne Kaiser
House Ways and Means Committee
Room 131 Lowe House Office Building
Annapolis, MD 21401
cc: Members, House Economic Matters Committee

Honorable Chair Kaiser and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a group that works with consumer-friendly auto dealers and consumer advocates to secure safety, transparency, and fair treatment for Maryland drivers and car buyers.

We support **HB 1246** because it would help create a fairer tax system for leased vehicles that would help make a quality vehicle more affordable for many Marylanders and their families.

Under the current tax system, Marylanders who lease their vehicles pay a 6% tax on the full fair market purchase price of a vehicle they lease. But of course they don't actually own the vehicle – or own an asset worth that full purchase price. So assessing a tax based on that full purchase price would appear excessive and unfair. A tax based on their lease payments and the “capitalized cost reduction” or the depreciation in value over the term of their lease would be one more closely related to the actual value they take from the vehicle.

By reducing the amount of tax most people leasing a vehicle would pay, this reform would also make leasing a vehicle a bit less expensive for many Marylanders. As is well-known, access to reliable personal transportation is critical to opening up economic, educational, and job training opportunities for many Maryland families, especially in parts of the state where public transit options are scarce or inadequate. But the high cost of car ownership can be a huge barrier to such opportunities, especially with the average price of a new car now rising to more than \$40,000 and the average cost of car insurance now more than \$1,800/year in Maryland.

By cutting the tax costs for a vehicle lease, **HB 1246** will help make vehicle leasing a more affordable option for many families and improve access to affordable transportation.

We support **HB 1246** and ask you to give it a FAVORABLE report.

Sincerely

Franz Schneiderman
Consumer Auto