

**Testimony to the House Ways and Means Committee
HB36: Vehicle Excise Tax - Leased Vehicles - Alteration
Position: Favorable**

February 1, 2022

The Honorable Vanessa E. Atterbeary, Chair
House Ways & Means Committee
Room 131, HOB
Annapolis, MD 21401
cc: Members, Ways & Means Committee

Chair Atterbeary and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances economic rights and financial inclusion for Maryland consumers through research, education, direct service, organizing, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

We are in support of HB36.

This bill would base the tax of a leased vehicle on the amount of the lease rather than the full value of the car. Currently, Maryland is one of a small number of states that base the tax of a leased vehicle on the full value of the car with the large majority of states basing the tax on the amount of the lease.

As car prices rise, edging past \$46,000 at the end of 2021, leasing a vehicle has become a mainstream alternative to buying.¹ Consumers often choose to lease because the payments are typically less than the monthly cost of financing a new vehicle. However, in the end, leasing usually costs more than an equivalent loan because a consumer is paying for the car during the time when it most rapidly depreciates.

Leasing is already an expensive option for consumers who cannot afford a new car or find an affordable loan, and it is therefore punitive to tax consumers' payments for the full cost of a vehicle. The leaser is only paying a fraction of the total cost of a vehicle and will never fully acquire the asset.

HB36 fixes this unfair tax practice and ensures that drivers are only being taxed on the amount they are paying to lease their vehicle.

For these reasons we support HB36 and urge a favorable report.

Sincerely,
Isadora Stern
Policy Associate

¹ <https://www.consumerreports.org/buying-a-car/leasing-vs-buying-a-new-car-a9135602164/>