



**Testimony to the House Ways and Means Committee
HB 754– Vehicle Excise Tax – Trade-In Allowance– Repeal
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 754** because eliminating the deduction from the MD vehicle excise tax that many buyers get for the value of a trade-in would make the already high cost of buying a car even more burdensome for many Marylanders -- by adding in many cases \$1,000 or more in additional taxes to the cost of purchasing a car.

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

Now of course many car buyers make these purchase costs more manageable – and reduce the debt they take on in purchasing a new or newer vehicle -- by trading in their current vehicle. In 2021, when used car prices were especially high, the average value of those trade-ins reached more than \$17,000.⁴ Under current rules that trade-in value is deducted from the cost of the car you are buying before your excise tax bill is calculated. Eliminating that deduction (as this bill would do) would, in effect, add 6% of the value of the trade-in to the tax bill for the car being purchased.

Therefore, if your trade-in is worth \$20,000, this change would add \$1,200 to your excise tax bill; if the trade-in is worth \$15,000, it adds \$900 to the cost. And if the excise tax rate increases or your trade-in is worth more, that would make the added tax bill even larger.

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-](https://money.com/auto-loan-credit-card-bill-delinquencies/?fbclid=IwAR134aaeB4oJ1NBY9l4AXURGQQN8mAzJzmNG4QuIwvZnx5vuQM2Ej7DQFgc)

[delinquencies/?fbclid=IwAR134aaeB4oJ1NBY9l4AXURGQQN8mAzJzmNG4QuIwvZnx5vuQM2Ej7DQFgc](https://money.com/auto-loan-credit-card-bill-delinquencies/?fbclid=IwAR134aaeB4oJ1NBY9l4AXURGQQN8mAzJzmNG4QuIwvZnx5vuQM2Ej7DQFgc)

⁴ <https://www.edmunds.com/sell-car/trade-in-values-hit-all-time-high-march-2021.html>



Auto Consumer Alliance
13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

Eliminating the trade-in deduction may seem like a modest step to address the state's revenue needs. But it would impose significant additional costs on many car buyers – at a time when higher sticker prices, car insurance costs, repair costs, and other expenses are already making it more and more financially burdensome for many Marylanders to own and operate their vehicles.

This change also seems unwarranted as (unlike many other sources of revenue) car excise tax revenues have already been boosted by the increase in car prices over the last several years.

We oppose HB 754 and ask you to give it an UNFAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto