



**Testimony to the House Ways and Means Committee
HB 167– 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

Jan. 28, 2025

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 167** because raising the excise tax on new and used car sales would add hundreds of dollars 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 couple years, but the current average cost of more than \$47,000 remains much higher than the 2019 average price of about \$37,000.¹ Used car costs rose even more sharply in the pandemic period -- up about 40% from 2020 to 2023 – though they have since declined a bit, to an average of about \$25,500 in late 2024.²

While the cost of gas has come down, other car ownership costs have surged. Average car insurance costs another almost 20% in 2024, after rising 24% in 2023. Bankrate now estimates that the average cost for full coverage car insurance in Maryland is \$2,793/year – but people who live in Baltimore or have troubled credit histories or other traits insurers see as high risk often pay much more than that. Repair and maintenance costs also went up about 30% from 2020-2023.³ Maryland drivers also face increased registration fees and likely increases in emissions testing and other fees.

The cumulative impact of these rising fees has a very serious impact on the ability of many Marylanders to afford a vehicle. In 2024, AAA estimated that the cost of owning and operating a new car went up again, to about \$12,300/year.⁴ 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-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.

¹¹ <https://www.cbtnews.com/study-found-new-car-prices-surged-to-record-highs-leaving-used-cars-as-the-affordable-choice/>

² <https://www.consumerreports.org/cars/buying-a-car/when-to-buy-a-used-car-a6584238157/>

³ <https://www.visualcapitalist.com/charted-car-ownership-costs/>

⁴ <https://newsroom.aaa.com/2024/09/aaa-your-driving-costs-the-price-of-new-car-ownership-continues-to-climb/>



Auto Consumer Alliance

13900 Laurel Lakes Avenue, Suite 100
Laurel, MD 20707

Indeed a 2024 Marketwatch survey found that Americans now spend an average of 20% of their income on car-related expenses and 10% of drivers estimated they spend more than 30% of their take-home pay on car payments.⁵ Nerdwallet reports that in the 3rd quarter of 2024 the average monthly payment on a car purchased new was \$737/month; for used cars, the average payment was \$520.⁶

Raising the excise tax from 6% to 6.75% -- as **HB167** would do -- would add about \$350 in taxes to the cost of an average new car and about \$180 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.

Hard-pressed Maryland drivers need relief from the steady rise in car costs.

We oppose HB 167 and ask you to give it an UNFAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto

⁵ <https://usa.streetsblog.org/2024/03/25/study-how-car-ownership-is-keeping-americans-from-financial-stability>

⁶ <https://www.nerdwallet.com/article/loans/auto-loans/average-monthly-car-payment>