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## MARYLAND'S NEW AUTO & TRUCK DEALERS

### ASK YOU TO OPPOSE

#### HB846 – SALES TAX ON AUTO REPAIR SERVICES

We are writing on behalf of more than 300 Maryland New Car and Truck Dealers and their 23,000 employees to express our opposition to HB 846's proposal to tax auto repair services

Under current law, consumers pay Maryland's 6% sales tax on parts used in auto repairs. Consumers do not pay 6% sales tax on labor charges. This is the same treatment for other types of repair work, including home repairs, HVAC, plumbing, etc...

Car and truck prices are increasing – Maryland's vehicle excise tax increases every year. In fact, since 2019, total excise tax collections have increased 15% and are projected to reach \$1.1 billion in FY25. More importantly, since 2015 titling tax collections have risen 32%!

Average new car prices have increased 24% in the last 5 years – with some brands rising close to 50% higher over the same period. Similarly, used car prices have increased 30+% in last 5 years – although after peaking at higher numbers in 2021-2022, prices have moderated.

For car buyers, affordability is not only affected by the rising price of cars – but also financing costs. Average new car interest rates have climbed from 4% to 8% or more in 5 years.

	<u>2019 New Sedan</u>	<u>2024 New Sedan</u>	<u>2024 New Sedan (6.75%)</u>
<b>Sale Price</b>	\$40,000	\$50,000	\$50,000
<b>Md Excise Tax</b> (2019/2024 6%; HB167 6.75%)	\$2,400	\$3,000	\$3,375
<b>Tax - Add'l Monthly Payment</b> (2019 at 4%; 2024 at 8%) (based on 48 months)	\$49	\$73	\$84

## **Maryland Auto Dealers Oppose HB 846**

### **Maryland's Car Buyers Are Already Paying High User Fees –**

The FY25-FY30 CTP shows that car & truck buyers, owners and drivers will pay \$21B to the TTF in the next 6 years. Plus, they will pay \$4.7B in tolls and another \$4.0B in federal gas taxes. This is nearly \$30B in total – equating to \$5B a year. Ninety percent of Maryland households have a car or truck and rely on those vehicles for commuting to work and school; using their cars and trucks for work; agricultural activities; and all aspects of daily living.

While the vehicle excise tax has always been tied to inflationary increases in the price of cars, indexing of the gas tax was initiated more recently – and indexing for vehicle registration fees was statutorily enacted for the first time in the 2024 legislative session. And while there are concerns about the growth of future gas tax collections due to fuel efficiency increases, flattening of vehicle miles traveled, and introductions of EVs, the vehicle excise tax has been a consistent source of TTF funding.

HB 846 proposes an increase in taxes paid by car owners. Yet, there is no clear indication that these funds will be used for the roads and bridges these vehicles travel on.

DLS advises that the share of TTF spending on roads and bridges has been declining in comparison to what is spent on transit. Now, more than twice as much of TTF special funds are spent on transit compared to roads/bridges. In fact, the new TTF recognizes the increased contributions from car owners from registration fees and vehicle excise taxes – but SHA is the only MDOT mode that will receive less funding in the next six years as compared to last year's CTP (a decrease of \$500 million) – while MTA/WMATA will receive \$1B more. See attached excerpt from DLS Fiscal Briefing document, page 44.

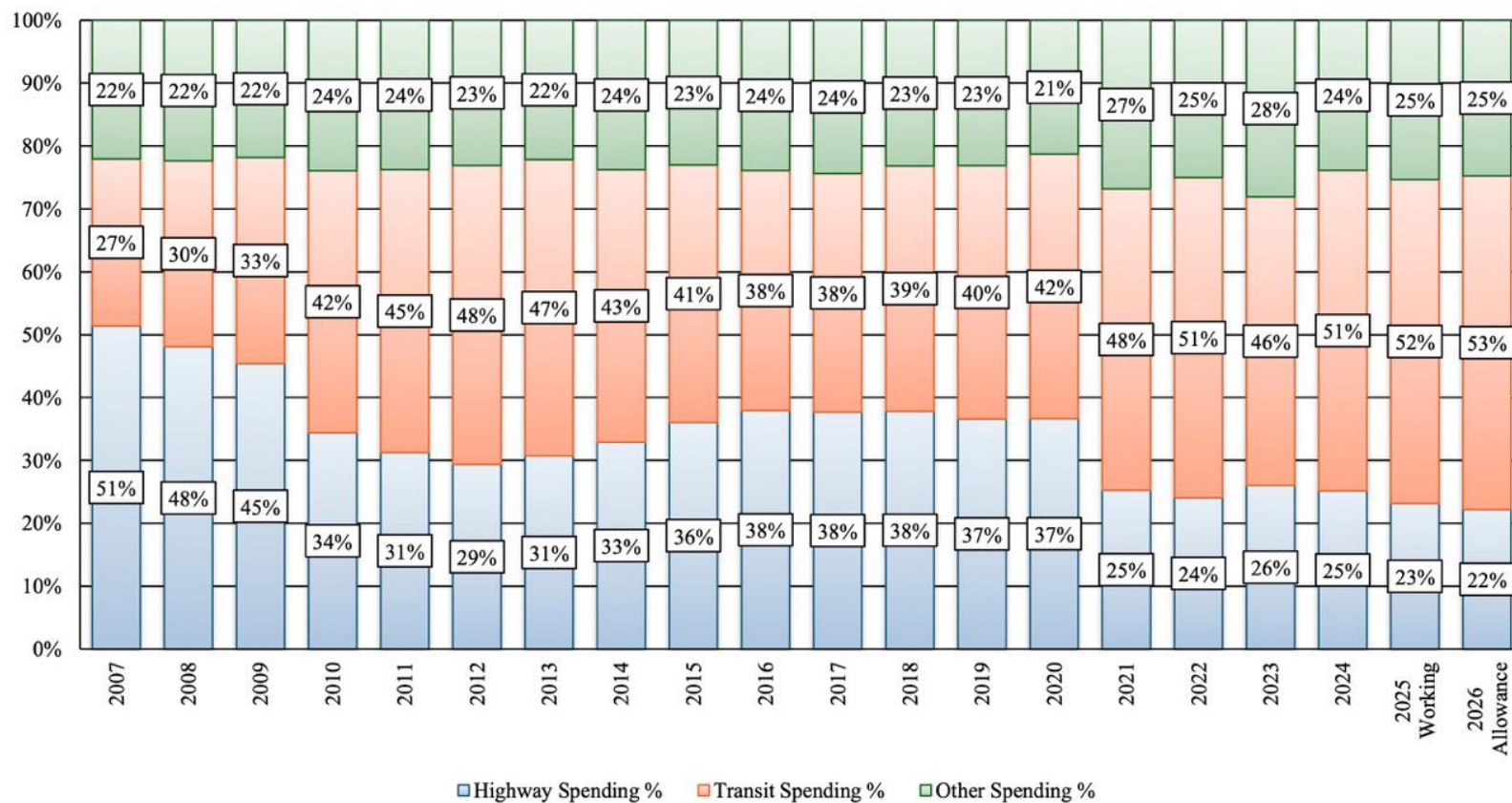
For all the reasons above, we ask the Ways and Means Committee to give HB 846 an unfavorable report.

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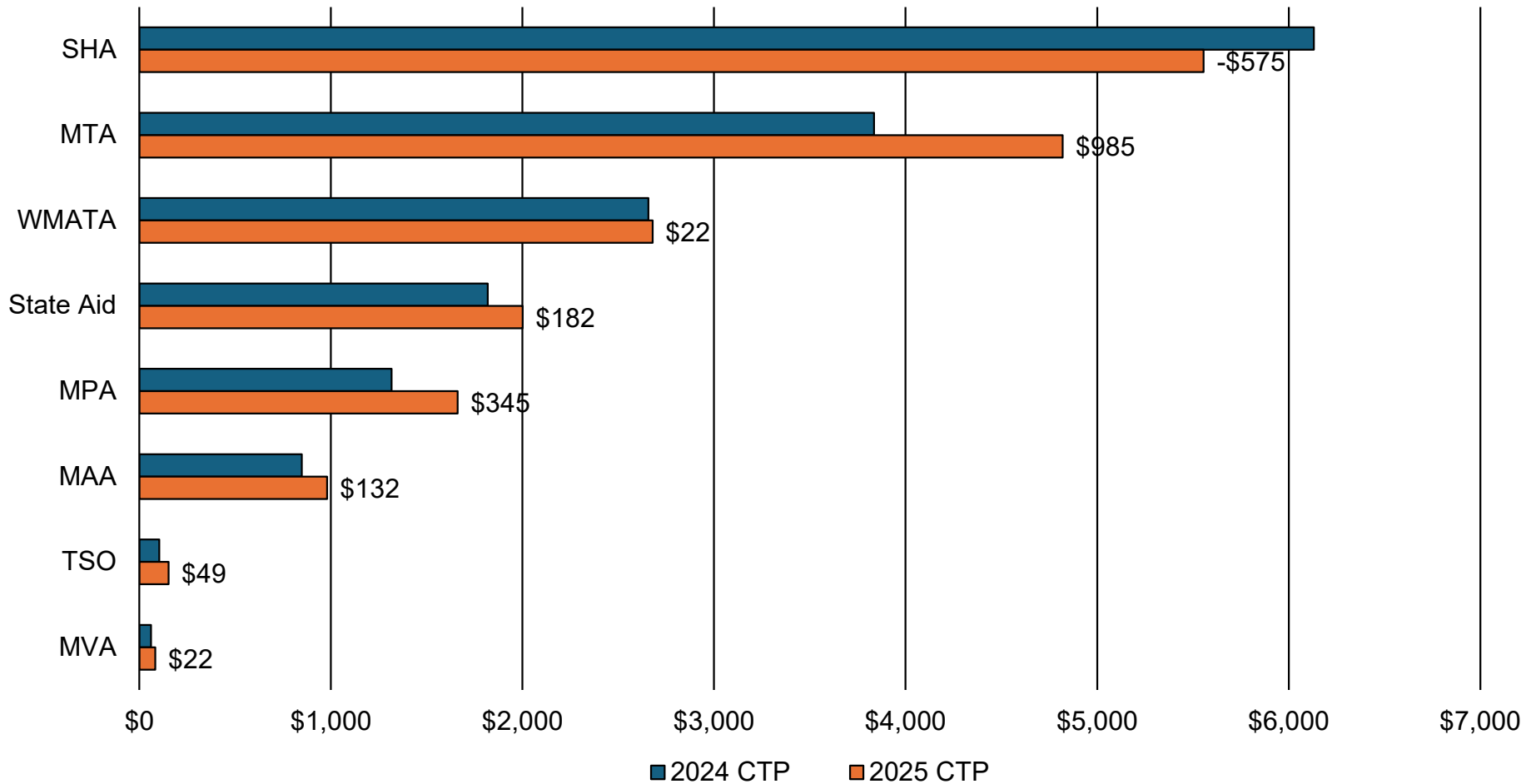
## Transportation Trust Fund Special Fund Spending Fiscal 2007 2026 Allowance



**Note:** Transit spending is net of operating revenues generated by the Maryland Transit Administration and Other Spending is net of operating revenues generated by the Maryland Aviation Administration and the Maryland Port Administration. Highway User Revenues grants are included in Highway Spending.

Source: Maryland State Budget; Department of Legislative Services

**Consolidated Transportation Program**  
**January 2024 v. January 2025**  
**Fiscal 2025-2030**  
**(\$in Millions)**



CTP: Consolidated Transportation Program  
 MAA: Maryland Aviation Administration  
 MPA: Maryland Port Administration  
 MTA: Maryland Transit Authority  
 MVA: Maryland Motor Vehicle Administration  
 WMATA: Washington Metropolitan Area Transit Authority  
 SHA: State Highway Administration  
 TSO: The Secretary's Office