



February 12, 2020

Hon. Curtis McCormack, Chair
House Committee on Transportation
Vermont State Capitol
115 State Street
Montpelier, VT 05633

RE: Opposition – Vehicle Luxury Tax

Dear Chairman McCormack:

On behalf of the Alliance for Automotive Innovation (Auto Innovators), thank you for the opportunity to express our views on the proposed concept of applying an additional sales tax burden on consumers purchasing a vehicle with a Manufacturer Suggested Retail Price above a certain price point. Formed in 2020, the Alliance for Automotive Innovation is the singular, authoritative, and respected voice of the automotive industry. Focused on creating a safe and transformative path for sustainable industry growth, the Alliance for Automotive Innovation now represents automakers producing nearly 99 percent of cars and light trucks sold in the U.S., tier-one original equipment suppliers, as well as technology and other automotive-related companies.

Consumers who purchase more expensive, ultra-premium vehicles already pay more in sales tax to the state than those purchasing a mass-market vehicle. A consumer purchasing a \$25,000 vehicle will pay \$1,800 in sales tax to the state, while a consumer purchasing a vehicle that retails at \$125,000 will pay \$7,500 – 5x as much for the same privilege of owning a vehicle in Vermont. Given the delta between these numbers, it would seemingly be in the state’s financial best interest to encourage the purchase of such vehicles, not add an additional tax to discourage the purchase.

This proposal would turn that \$7,500 tax bill into \$20,000 or \$26,250, if the 10% or 15% rates mentioned were to be adopted. While it is a popular political position to say the rich should pay more in taxes, there is nothing to rationally justify such an excessive and arbitrary burden, especially on vehicles that tend to be driven far less than the average vehicle. Less miles driven means less wear and tear on roadways, and less demand for emergency services.

1050 K Street, NW
Suite 650
Washington, DC 20001

[AutosInnovate.org](https://www.AutosInnovate.org)

Based on the best data that we have available, in the first 10 months of 2019 there were 14 vehicles sold in the \$125,000+ category. There is simply not enough volume in this segment to suggest the collection of an additional tax will be anything more than a rounding error in road infrastructure costs. When even the most basic bridge repair runs into many millions of dollars, an additional ~\$200,000 in tax revenues will not even make a dent in such costs.

This simple calculation assumes that the state would realize tax revenues in a linear manner were this legislation to pass, something that should be given some careful thought. First, facing a tax burden of this size would likely cause some to reconsider their vehicle choice, and perhaps purchase a vehicle in a lower price bracket. This impact on consumer choice would lower the sales tax revenue derived from the state's current 6% sales tax. Second, it is also a reality that many well-healed customers capable of purchasing a vehicle in this price bracket, may also have a secondary residence outside of the state. When confronted by a cumulative sales tax rate of 16% or 21% – something not reflected in state law in any other state – policymakers should assume many of such vehicles currently purchased and registered in-state will be purchased and registered out-of-state in the future. Such an action would not just mean that the state would not get the new proposed tax, but it would also fail to collect the \$7,500+ in sales tax paid at the normal rate. It would be worth considering whether levying this added tax could ultimately lead to a reduced sales tax collection from vehicles above a selected price point.

While somewhat less of a concern in this price bracket than in lower segments of the vehicle marketplace, this legislation would pick winners and losers between companies pursuing the same customer. Wherever the line is drawn between those impacted by an added tax and those not impacted by an added tax, it will be arbitrarily set. Those just above the line will be adversely affected, while those just below will get a boost by comparison. State policy should treat all companies in the marketplace equally, not create market distortions that will advantage some companies over their competitors.

It is for all of these reasons that Auto Innovators would strongly encourage the committee to not adopt a new added tax on vehicles above a certain price point.

Thank you in advance for your consideration of our views. If I can answer any questions or provide any further information, please do not hesitate to contact me at 202-326-5550 or wweikel@autoinnovators.org.

Respectfully submitted,



WAYNE WEIKEL
Senior Director, Alliance of Automotive Innovation