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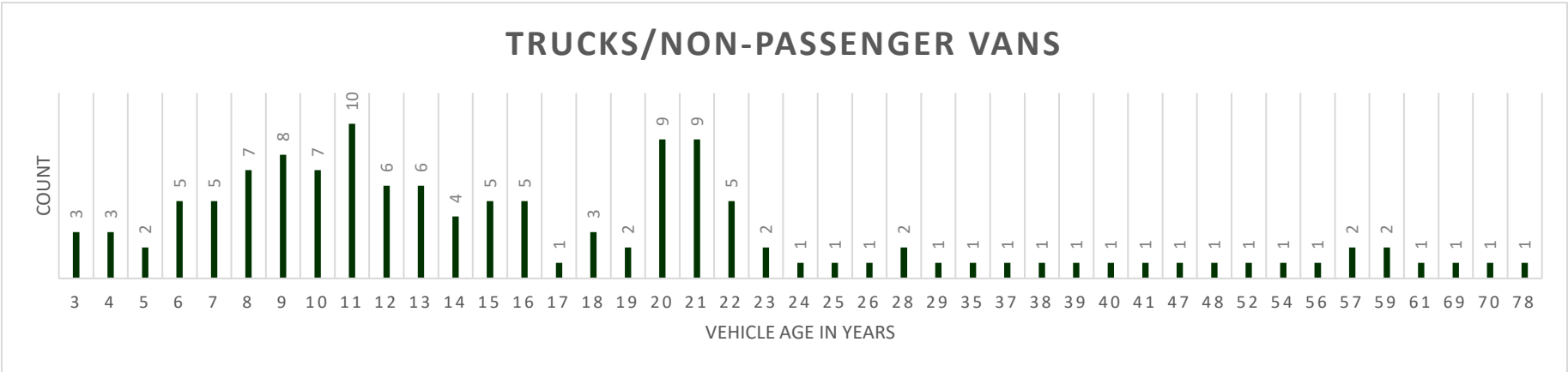
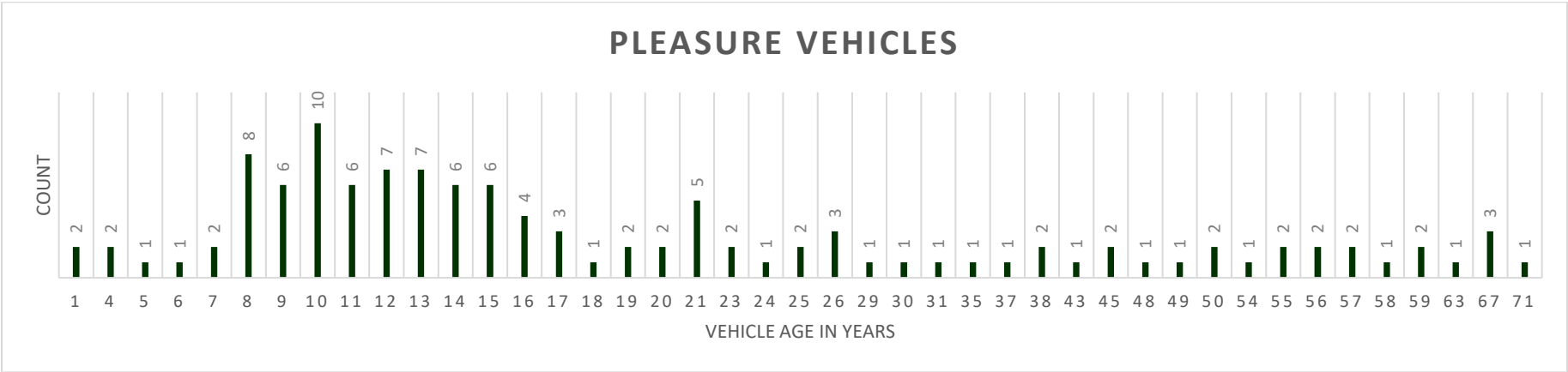
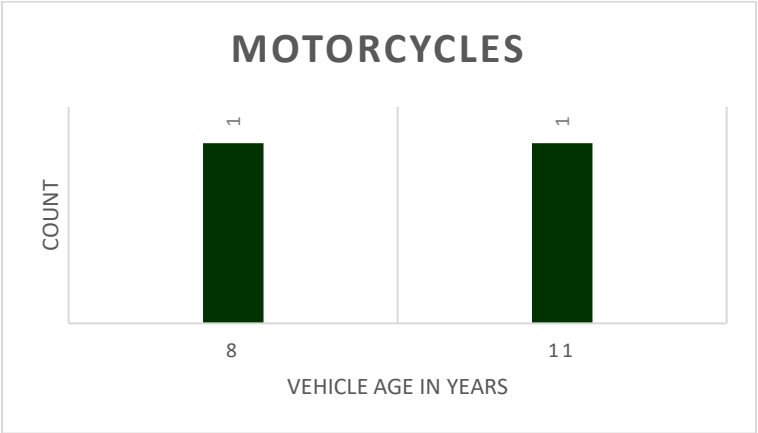
Memo To: House Committees on Transportation and on Ways and Means  
Senate Committees on Finance and on Transportation  
From: Andrew Collier, Commissioner Department of Motor Vehicles  
Date: 1/31/2026  
Subject: Process for determining taxable cost of a motor vehicle and the impact of annual safety and emission inspections on Vermonters

In accordance with section 40 of Act 66 of 2025, the Department of Motor Vehicles has prepared the following report on the assessment and collection of Purchase and Use tax on motor vehicles and on annual motor vehicle safety and emissions inspections. The Department created online surveys that were available on its website to solicit public feedback and suggestions for change to both the dealer appraisal process and annual motor vehicle inspections.

(1) The number of persons during calendar years 2024 and 2025 who utilized the dealer appraisal process for determining the taxable cost of a used motor vehicle for purposes of the purchase and use tax:

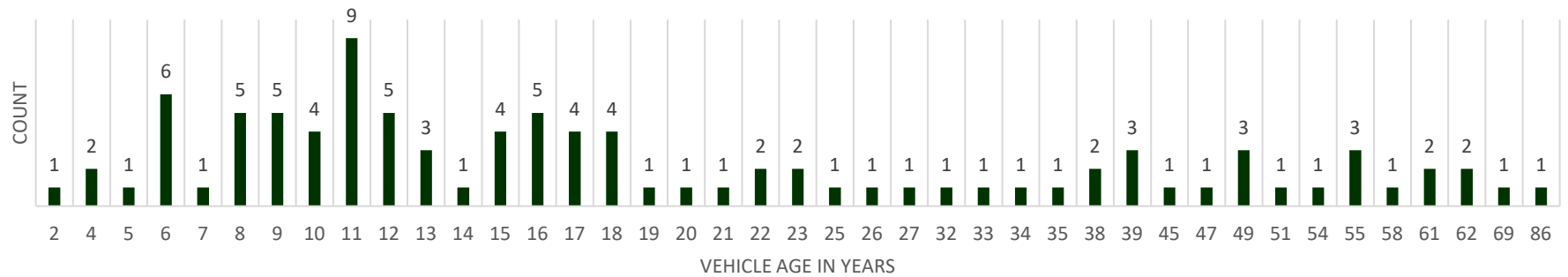
- 2024 – 245 unique persons submitted 252 appraisals
  - Unique persons submitting two dealer appraisal forms – 5
  - Unique persons submitting three dealer appraisal forms – 1
- 2025 – 212 unique persons submitted 217 appraisals
  - Unique persons submitting two dealer appraisal forms – 5

- (2) The age and type of vehicles for which the dealer appraisal process was utilized during calendar years 2024 and 2025:
- 2024 –

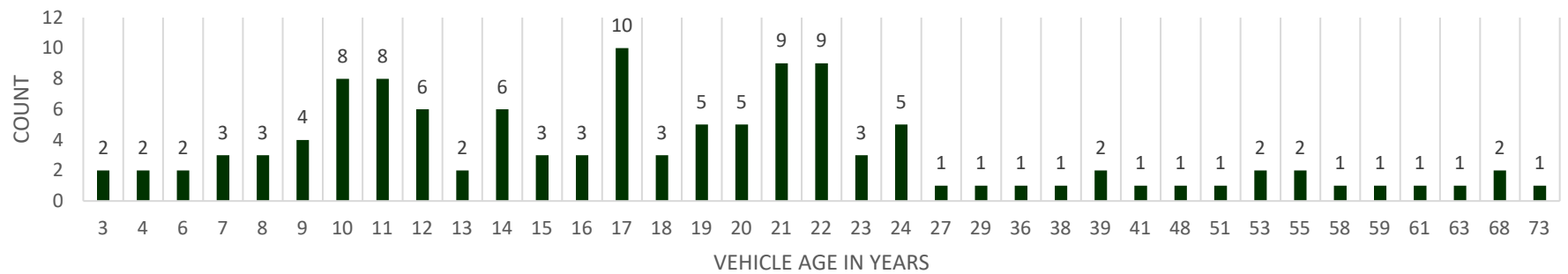


• 2025 –

## PLEASURE VEHICLES



## TRUCKS/NON-PASSENGER VANS



(3) The difference between the clean trade-in value and the appraised value of vehicles for which the dealer appraisal process was utilized during calendar years 2024 and 2025:

- 2024 –

Type of Vehicle	Total Vehicles Appraised	Total Difference	Average Difference
Cycle	2	\$4,937.00	\$2,468.50
Pleasure Vehicle	118	\$571,464.20	\$4,842.92
Truck/Non-Passenger Van	132	\$1,076,964.33	\$8,158.82
Totals	252	\$1,653,365.53	\$6,560.97

*Total difference represents \$99,201.93 in purchase & use tax not charged.*

- 2025 –

Type of Vehicle	Total Vehicles Appraised	Total Difference	Average Difference
Cycle	0	-	-
Pleasure Vehicle	96	\$504,333.75	\$5,253.48
Truck/Non-Passenger Van	121	\$938,751.60	\$7,758.28
Totals	217	\$1,449,635.35	\$6,860.35

*Total difference represents \$86,978.12 in purchase & use tax not charged.*

(4) The number of appeals of the taxable cost of a motor vehicle that were filed in calendar years 2024 and 2025:

- 2024 – 55
- 2025 – 78

(5) the number appeals that resulted in a revision of the taxable cost and the difference between the originally assessed taxable cost and the revised taxable cost following the appeal:

- 2024 – Appeals resulting in revision of taxable cost – 6

Original Assessed Taxable Value	Revised Assessed Taxable Value	Difference Between Assessed Taxable Values	Amount Refunded
\$7,245.00	\$2,500.00	\$4,745.00	\$284.70
\$24,500.00	\$11,080.00	\$13,420.00	\$805.24
\$18,459.00	\$5,000.00	\$13,459.00	\$807.54
\$20,100.00	\$11,000.00	\$9,100.00	\$546.00
\$12,400.00	\$10,130.00	\$2,270.00	\$136.20
\$12,650.00	\$4,000.00	\$8,650.00	\$519.00

- 2025 – Appeals resulting in revision of taxable cost – 9

Original Assessed Taxable Value	Revised Assessed Taxable Value	Difference Between Assessed Taxable Values	Amount Refunded
\$11,200.00	\$3,500.00	\$7,700.00	\$462.00
\$11,800.00	\$5,400.00	\$6,400.00	\$384.00
\$12,350.00	\$10,031.00	\$2,319.00	\$139.14
\$6,000.00	\$5,375.00	\$625.00	\$37.50
\$3,500.00	\$1,500.00	\$2,000.00	\$120.00
\$18,875.00	\$14,000.00	\$4,875.00	\$292.50
\$5,175.00	\$3,350.00	\$1,825.00	\$109.50
\$13,750.00	\$6,875.00	\$6,875.00	\$412.50
\$39,050.00	\$15,000.00	\$24,050.00	\$1,443.00

(6) Summary of issues identified by persons contacting the Department with concerns regarding:

- The purchase & use tax process. **Total responses: 35**
  - **Inflated valuation:** The most common response received surrounded the use of JD Power values rather than calculating tax based on the purchase price of the vehicle. Respondents feel that the valuations provided do not consider the wear and tear caused on vehicles by salt applied to Vermont roads and the impact of harsh winter weather.
  - **Financial Burden on Vermonters:** Some respondents reported that obtaining a dealer appraisal is another cost added on to the registration of a motor vehicle and another hoop for Vermonters to jump through.
- The affordability of the annual motor vehicle inspection process and suggestions for reducing the financial impact of the inspection process on Vermonters. **Total responses: 256**
  - The average estimated repair cost reported was \$1,500.00, with responses ranging from more than \$10,000 to as low as \$20.00. Multiple Vermonters indicated that the cost of repairs was more than the value of their vehicle and some reported junking or selling their vehicle to a resident of a jurisdiction that does not have safety inspections.
  - The following are the most common trends in the feedback on the process, recommended changes, and impacts it has on Vermonters:
    - **Inspection Costs and Frequency:** Many respondents feel that the cost of vehicle inspections is too high and that annual inspections are excessive, especially for newer vehicles. A common suggestion was that vehicles should not be subject to inspection for the first five years.
    - **Rust and Brake Issues:** The most common reported repair required to pass inspection was related to surface rust on brake rotors, which many believe is not a legitimate safety concern.
    - **Economic Burden:** The inspection process is perceived as a financial burden, particularly on low-income individuals. Many view it as a regressive tax that disproportionately affects those who can least afford it.
    - **Unfairness and Inconsistency:** There is a widespread belief among respondents that the inspection process is inconsistent and sometimes used by mechanics to upsell unnecessary repairs. This has led to distrust in the system, with some respondents feeling that inspections are more about generating revenue than ensuring safety.
    - **Reform or Elimination:** Many respondents advocate reforming the inspection process, suggesting alternatives such as state-run inspection facilities, and focusing only on critical safety components. Some suggest eliminating the requirement altogether, citing studies from the Government Accountability Office and the National Highway Traffic Safety Administration that show no significant safety benefits from inspections.

Nature of Repairs Reported	Count	% of Total Responses
Brakes	115	45%
Body Rust	32	13%
Electrical	13	5%
Tires	36	14%
Steering/Suspension	36	14%
Emissions	21	8%
None	66	26%
Other (lights, windshield wipers, glass, or not specified)	22	9%

(7) Funding and other assistance related to annual motor vehicle safety and emissions inspections that is available to Vermonters with lower income:

- Automotive Emissions Repair Assistance Program (AERAP):
  - Summary: The Department of Environmental Conservation administers the AERAP to provide financial assistance to low-income Vermonters for the proper diagnosis and repair of vehicles failing the emissions test component (On-Board Diagnostic II, or OBD II) of the annual State vehicle inspection. Currently, AERAP is operating as a pilot and cannot accept diesel-powered vehicles.
  - Eligibility Criteria:
    - Total gross household income must be less than or equal to 185% of the Federal Poverty Level.
    - Vehicle must be registered in Vermont.
    - Vehicle must have passed the safety portion of the State vehicle inspection but failed the OBD-II portion within 30 days of applying.
    - Vehicle must not have failed the OBD-II portion of the State vehicle inspection due to readiness or for having a tampered emissions control system.
    - Vehicles that are still covered by their emissions warranty are not eligible.
    - Currently, diesel vehicles cannot be covered by the program due to the limited nature of the pilot.

(8) Potential approaches to reduce the financial burden of annual motor vehicle safety and emissions inspections on Vermonters, including the potential to reduce the frequency of inspections to every two years:

- Reducing the frequency of safety inspections to every other year would lessen the burden on Vermonters.
  - Implementation timeline should be determined in collaboration with the Department of Environmental Conservation.
- The following are proposed modifications to the Periodic Inspection Manual that would allow inspectors to focus on only safety risks, remove outdated and redundant procedures, and ensure inspectors are provided with clear, consistent guidance.

Topic	Proposed Change	Rationale
Wheels and tires	Move minor defects including bumps, bulges, knots, cuts, and weather cracks to advisory.	Alignment with other states and do not pose immediate safety risk.
Power steering and suspension	Move broken power steering belt and weak shock absorbers to advisory.	Performance issue and ride quality issues not related to safety.
Brake test	Remove road test requirement.	Inconsistently performed and redundant.
Rotors and drums	Remove reference to “rust” and clarify definition of “pitting”	Simplification of wording and avoids duplication.
Lighting	Move non-critical lamps such as license plate, backup, and clearance lamps to advisory.	Cosmetic issue that is not related to safety.
Headlamp aiming	Remove section.	The test is outdated, rarely performed, and does not produce consistent results.
Instrument cluster	Retain brake system failure indicator as failure and move airbag, speedometer illumination, and front defroster function lights to advisory.	Focus on core safety indicator.
Vehicle glass	Move minor cracks to advisory.	Not safety-critical if located outside the driver’s view and aligns with national visibility standards.
Side windows	Move inoperative windows to advisory.	Not safety-critical; ensures vehicles do not fail due to nonfunctioning convenience features.
Wiper blades	Move torn/missing rubber to advisory.	Minor defects and not an imminent safety hazard.
Sheet metal and body	Clarify rust guidance and insert A/B/C pillar diagrams.	Distinguish between structural and cosmetic corrosion.
Pagination	Correct numbering of pages throughout the manual.	Align print and online versions for consistency.

(9) Recommendations for legislative action:

- Exempt the Periodic Inspection Manual from adhering to the process stipulated by the Administrative Procedure Act. This will allow DMV to be nimbler and more responsive when changes are needed, while reducing associated costs and timelines for implementation.
- Implement a standardized state inspection fee. Currently the fee is set by the inspection station and varies throughout the state.
  - The average fee charged for an inspection reported by respondents was \$73.00, but varied widely, with some reporting as high as \$280.00.

County	Reported Average Inspection Fee
Addison	\$84.85
Bennington	\$47.25
Caledonia	\$58.00
Chittenden	\$80.04
Essex	\$100.00
Franklin	\$71.57
Grand Isle	\$68.33
Lamoille	\$62.50
Orange	\$67.33
Orleans	\$65.00
Rutland	\$69.21
Washington	\$74.69
Windham	\$61.67
Windsor	\$66.18

- Allow vehicle owners to deduct their cost for dealer appraisals from the assessed taxable value of a vehicle at time of registration. As noted, some respondents shared that the dealer appraisal represented another cost that was added to the registration process.