



## CITY OF BANGOR

### **Testimony of David Little, Deputy Finance Director, City of Bangor before the Joint Standing Committee on Taxation**

#### **Regarding LD 119 “An Act to Base the Motor Vehicle Excise Tax on the Sale Price” and LD 1031 “An Act to Base the Vehicle and Mobile Home Excise Tax on Actual Value”**

Senator Chipman, Representative Tipping and distinguished members of the Joint Standing Committee on Taxation:

I am David Little, Deputy Finance Director for the City of Bangor and I am here submitting this testimony on their behalf in opposition of LD 119 and LD 1031.

Both these bills are looking to accomplish the same goal, namely change how excise tax is calculated on motor vehicles.

The excise tax charged on vehicles is in lieu of property tax. As such it should be administered, like the property tax, fairly and equally. That is why, when the excise tax was created in the 1920's the statute required that the Manufacturer's Suggested Retail Price (MSRP) be used. It is a common misconception that using the MSRP was some change put into place and excise tax was originally based on purchase price. That is not the case, the base has always been MSRP. And that base creates fairness and equality in the application. Two people from two different towns can buy the same vehicle and pay the same tax based on the same value.

Another misconception surrounds the rates used to calculate the excise tax. There have been comments in the past that these too have changed and increased to an unacceptable level. In fact, the rates being used today are 50 years old, being put into place in 1969.

What has increased is the cost of vehicles. In 1970 the average cost of a new car was \$3,900; in 2018 the average cost was \$36,000; over an 800% increase.

The change suggested by these bills is not new. It is a recurring bill brought up every session and opposed based on mainly three issues. The first and foremost is the loss of fairness. People will pay different tax amounts depending on the deal they get. Another issue is that the bills lack a definition of “sale price” or “actual cost”. Invoices and bills of sale are not consistent, they can contain various prices, each impacted by rebates, refunds, discounts, trade-ins or cash down. One assumption would be that price subject to sales tax would be used which is offset by trade-in allowances skewing the true value. The third issue is how this sale or actual value price will be determined for leased vehicles?

Without knowing which or how the price will be determined the potential loss to municipalities could not be determined. In addition, such a loss would undoubtedly be passed onto the property tax base or a cut in services. These bills however, attempt to take that issue out of the equation by requiring the State to reimburse municipalities for the difference between the sale price and MSRP. This type of reimbursement currently exists in regards to commercial vehicles.

While this is a welcome change to prior session bills it potentially creates a significant administrative burden on the both the local municipality and the State. The current commercial reimbursement

program requires ongoing tracking, copies of supportive documentation and hours of work just to submit reimbursement for the 50 or so vehicles Bangor has in the program. Expanding that to include the thousands of new vehicles registered each year causes concern that it may be unmanageable. There is also the fear that down the road this reimbursement fund could be raided or payments delayed putting additional burdens onto municipalities.

More importantly, it doesn't address the equity issue. We can't support a change that unfairly punishes those people who cannot negotiate a deal, have family or friends working at the dealership, have a trade-in or can afford a down payment.

One last concern, which has been mentioned in the past is the belief that the window sticker which provides the MSRP is inflated by manufacturers allowing for discounts and rebates to be offered without cutting into profits. The window sticker is a federal requirement, put into place in 1958 specifically to prevent the artificial inflation of prices by dealerships. If such concerns exist they should be addressed at the federal level and not through State legislation.

Thank you for your time and consideration and we encourage you to vote "Ought Not to Pass" when the time comes.

For additional information, please feel free to contact any of the following municipal officials:

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