

The Maine Heritage Policy Center Testimony to Support 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, my name is Adam Crepeau. I serve as the policy analyst at The Maine Heritage Policy Center. I am here to testify in favor of LD 1031, “An Act To Base the Vehicle and Mobile Home Excise Tax on Actual Value.”

The Maine Heritage Policy Center overwhelmingly supports this bill. While eliminating the excise tax on motor vehicles would be more favorable, this bill is a step in the right direction. As the law stands now, if an individual purchases a vehicle, the excise tax is based on the manufacturer’s suggested retail price (MSRP) and the year of the vehicle. This bill changes how the excise tax is calculated by using the actual value of the vehicle instead of the MSRP. This is a much more equitable assessment and would be beneficial to the people of Maine.

A “vehicle property tax” is not levied in 24 other states (including Washington D.C.).¹ Coupled with Maine’s income tax and relatively high sales tax, this is just another burden for taxpayers, particularly the working poor. If Maine used the actual value determined by the State Tax Assessor and the same mill rate structure, the excise tax would not be as burdensome to Mainers and it would be more fairly distributed. People earning less than \$15,000 per year spend a significantly larger portion of their income on automobiles than those who make \$200,000 annually. In addition, 7.3 percent of households do not have access to vehicles in Maine.² For most, owning a vehicle is necessary to commute to work and participate in Maine’s economy. Thus, by making overall expenses to own a vehicle less costly, this bill would benefit impoverished individuals and families the most.

Please consider the following scenario: If an individual purchased a 2011 Ford Focus with 170,000 miles on it, they would pay \$69 in excise tax annually.³ If this legislation passes, that same individual would only be required to pay approximately \$16 or less (depending on the value) annually, based on the mill rate and the *NADA Guide*.⁴ While the current tax does not appear to be a burdensome amount of money to some, individuals who live in poverty and drive older vehicles are subjected to this tax. According to the US Census Bureau, as of 2017, over 19,000 full time, year-round workers in Maine made less than \$15,000 annually.⁵ The excise tax on motor vehicles based on MSRP is undoubtedly a burdensome expense to those individuals. If the excise tax was based on the actual value, some of this burden may disappear for low-income earners.

¹ <https://wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585/>

² <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

³ <https://www.maine.gov/revenue/propertytax/sidebar/excisetax.htm>

⁴ <https://www.nadaguides.com/Cars/2011/Ford/Focus-4-Cyl/Sedan-4D-SE/Values>

⁵ <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF>

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Critics of this bill will likely be concerned about the loss in revenue at the municipal level. While this could be cause for concern, The Maine Heritage Policy Center believes the excise tax, based on the MSRP, is unjustly levied because individuals who purchase a vehicle may not have owned it when it was new. Thus, they are being taxed based on a price tag that does not apply to them.

In sum, the excise tax on motor vehicles overwhelmingly harms low-income earners in this state and is an unfair tax on individuals in general. For those reasons, The Maine Heritage Policy Center urges the committee to vote, "Ought to Pass" on LD 1031. Thank you.