



March 22, 2016

Hon. John W. Fonfara, Senate Chair
Hon. Jeffrey J. Berger, House Chair
Joint Committee on Finance, Revenue, and Bonding
300 Capitol Avenue, Room 3400
Hartford, Connecticut 06106

RE: Support House Bill 5636 –Luxury Tax Roll-Back

Dear Mr. Chairmen and Members of Committee:

On behalf of the Alliance of Automobile Manufacturers (Alliance), I am writing to you today to express our support for House Bill 5636, legislation which includes language to roll-back Connecticut's, so called, luxury tax on automobiles. The Alliance is a trade association representing 12 of the world's leading car and light truck manufacturers, including of BMW Group, FCA US LLC, Ford Motor Company, General Motors Company, Jaguar Land Rover, Mazda, Mercedes-Benz USA, Mitsubishi Motors, Porsche, Toyota, Volkswagen Group of America, and Volvo Car USA. Together, Alliance members account for roughly 75% of the cars and light duty trucks sold in the United States each year.

First off, I want to thank the committee for their prudence in considering rolling-back the state's luxury tax on vehicles. At present, Connecticut is the only state in the union to charge an additional sales tax based on a vehicle's sales price – with its 7.75% tax on vehicles with a sales price in excess of \$50,000.

So called "luxury taxes" like this typically are enacted to "target the rich", however, the reality is, that this "luxury tax" does not just impact high-end luxury vehicles purchased by wealthy consumers. This is a tax that impacts vehicles sold by virtually every manufacturer and purchased by all segments of consumers. This additional tax disproportionately impacts contractors, tradesmen, farmers, and other small business owners with a need for larger vehicles. Additionally, consumers with large families or special interests are hit by this tax due to their need for larger vehicles.

It is important to understand that this tax is not just on vehicles with a Manufacturer Suggested Retail Price (MSRP) over \$50,000, but any vehicle that has a *final sales price* of over \$50,000. This is an important distinction. Ultimately, it means that the number of vehicles on which this additional tax is paid is greatly increased. For example, consumers considering vehicles with a MSRP significantly less than \$50,000 may find themselves subject to this additional tax burden with the addition of an add-on feature or option, such as all-wheel drive or a heavy towing package.

In addition to impacting more than just consumers with considerable means, the extra sales tax on vehicles with a sales price over \$50,000 also has a negative impact on the adoption of safety and environmental technology. It's an economic reality that cutting edge technology – including automotive technology – is often times expensive when it first becomes available to the public. In the area of safety, technology improvements such as automatic braking, lane departure/blind spot warnings, and adaptive cruise control will begin to put a dent in the over 90% of vehicular accidents and deaths that experts

attribute to human error, while the benefits of advanced environmental technologies such as electric and hydrogen vehicles – which have zero tailpipe emissions – are just as clear. The added tax on vehicles of with higher sales price is, in effect, a disincentive to purchase vehicles with advanced safety and environmental technologies, which is certainly counter to a number of other public policy positions advanced by the legislature.

It is for these reasons that the Alliance thanks the committee for its leadership on this issue and voices its support for the passage of HB 5636.

Thank you for your consideration of the Alliance's position. Please do not hesitate to contact me, should I be able to provide any additional information.

Sincerely,

A handwritten signature in blue ink that reads "Wayne Weikel". The signature is written in a cursive, flowing style.

Wayne Weikel
Senior Director, State Affairs

cc: Finance, Revenue, and Bonding Committee Members