



THE OHIO AUTOMOBILE DEALERS ASSOCIATION

**Proponent Testimony on House Bill 216 before the Ohio
House Ways & Means Committee**

Joe Cannon, Vice President, Government Relations

June 6, 2017

Good morning Chairman Schaffer, Vice Chairman Scherer, Ranking Member Rogers and members of the committee. My name is Joe Cannon and I am the Vice President of Government Relations for the Ohio Automobile Dealers Association. On behalf of our over 830 franchised motor vehicle dealer members, I am here today to urge your support of House Bill 216 (Hambley, Brinkman). This legislation follows the lead of over 30 other states, including all of our neighboring states, in extending Ohio's current motor vehicle trade-in tax credit to used vehicle purchases.

Ohio is the only state that allows a trade-in tax credit toward the purchase of new vehicles, but does not also recognize the same credit toward the purchase of used vehicles. Today Ohio law allows individuals to receive a trade-in credit equal to the value of the vehicle when buying or leasing a new vehicle, resulting in savings to the consumer. For example, a purchaser trading in a used vehicle valued at \$10,000 and purchasing a new \$35,000 vehicle will pay tax on the difference in vehicle

values (in this example \$25,000). Assuming a tax rate of 7%, this purchaser saves \$700. The trade-in credit is a consumer tax benefit enacted in Ohio decades ago in recognition that taxes previously paid by the consumer should be taken into account when the vehicle is traded in.

Ohio created the current vehicle trade-in credit to also help reduce tax underreporting in the casual market, where vehicles are sold between individuals. Often those transactions do not reflect the true vehicle selling price. The trade-in credit addresses this area by incentivizing individuals to trade in vehicles at dealerships, where proper tax reporting takes place and is more effectively monitored. Extending the credit to used vehicle purchases will further help address the underreporting of tax in the casual market.

As I indicated all of our contiguous states allow a trade-in credit on used vehicle purchases. In response, Ohioans regularly cross state lines in search of a 'better deal' only to find out when they return to Ohio that the tax is based on where the vehicle is titled and not purchased. By that time the deal is done and your constituent dealers lose sales. In our business perception is reality.

Finally, and most important, the credit can assist purchasers to get into a desired monthly payment and can also be a factor in helping those who may be on the bubble qualifying for financing. By extending the credit to used motor vehicle purchases, House Bill 216 will further stimulate commerce,

assist more consumers in getting into safer and more fuel-efficient vehicles, and remove the competitive disadvantage that your Ohio dealer constituents now face with their neighboring dealers.

Passage of this bill will also reflect what Ohio already has on the books for the sale of boats, where the trade-in credit is available on the purchase of both new and used models.

Thank you for the opportunity to testify in support of this pro-consumer legislation. I will be happy to entertain any questions.