



*The Ohio Independent Auto Dealers Association*



Mr. Chairman, Vice Chair Scherer, Ranking Member Cera, and Members of the House Ways and Means Committee. My name is Wendy Rinehart, Executive Director of the Ohio Independent Automobile Dealers Association (“OIADA”). On behalf of the Association, I appreciate the opportunity to testify on House Bill 64 and how those provisions impact the motor vehicle dealer.

The OIADA represents the interests of the more than 5,000 licensed used car dealers in the state of Ohio. They are businessmen and women, many of whom small businessmen and women with five or fewer employees, that have dedicated their very existence to the establishment and success of their business. They are the small car store that survives in the best of times and the worst of times because they are a part of their communities as fathers, mothers, Better Business Bureau members, Chamber of Commerce members, city councilmen, school board members, churchgoers, youth organization sponsors and coaches, and task force members who look for ways to make our cities and our towns better places to live.

We join with our colleagues at the Ohio Automobile Dealers Association to oppose elements of House Bill 64. Rather than take large chunks of the committee’s precious time, let me simply refer you to the testimony submitted by Mr. Doran and provided to you in last week’s hearing and simply state that we agree with all of the points that were raised therein.

I do wish to emphasize one point Mr. Doran raised and express how important it is to the independent dealer community, that being the proposed reduction of the trade-in credit on new motor vehicle purchases and coupled with the proposed sales tax increase. As Mr. Doran indicated, the reduction of the trade-in credit combined with the

sales tax increase will make the costs of a motor vehicle transaction increase significantly for the consumer. This substantial increase has the potential to impact consumer's ability to secure necessary credit to acquire a motor vehicle or obtain the payment that corresponds with their budget.

One might ask how this impacts the used motor vehicle dealer when we are talking about a fact pattern that involves the sale of a new motor vehicle. By removing the tax credit and increasing the sales tax to the point that certain consumers will no longer be able to acquire a new car and thus trade in their existing car reduces available inventory for the used motor vehicle. Consumers will hold onto cars longer, perhaps breaking their routine trade-in cycle for a new vehicle.

Reduction in inventory necessarily leads to an increase in the cost to acquire inventory. Those costs will be passed on to consumers. Thus, consumers who cannot afford a new car and rely upon used cars to meet their transportation needs will be paying more for their used car. This trickle down affect will adversely impact the buying power of the poorest among us.

Less inventory also means that small entrepreneurs, which is what the vast majority of independent dealers are, will find their overhead increase. That increase will undoubtedly impact some of these dealers' ability to stay in business. If they are forced to close their doors, fewer cars are sold and fewer taxes collected.

One of the unforeseen consequences of this proposed reduction is the fact that Ohio consumers will look to transact business with dealers in other states. In a global economy with the Internet as a powerful shopping tool, more and more purchasers are willing to buy vehicles from dealers all across the country. Consumers can easily search sites like eBay Motors, AutoTrader, Cars.com, etc. and find exactly what they want for the price they want. They are not bound to shop at a dealership within a few miles of their home as prior generations were.

When you consider the fact that many states, including those contiguous to Ohio, offer a trade-in credit for both new and used vehicle purchases, many buyers may very well arrange for a vehicle purchase from the state of Indiana or Kentucky, or even Arizona and have the vehicle shipped to Ohio because it may be substantially cheaper to do so.

Mr. Chairman, thank you for the opportunity to testify today. I am available to take any questions that members of the committee might have.