

---

# OREGON MOTOR VEHICLE DEALERS OPPOSE HOUSE BILL 2017 -3

Before the Joint Committee on Transportation Preservation and  
Moderization / June 07, 2017

By: Darrell W. Fuller / fuller\_darrell@yahoo.com / 971-388-1786

---



Chairs Beyer and McKeown and members of the Joint Committee on Transportation Preservation and Moderization:

The Oregon Vehicle Dealers Association represents more than 600 independent business owners across the state of Oregon, making OVDA the largest auto dealer trade association in Oregon. These dealers are primarily small businesses. On their behalf, OVDA monitors the Legislature and regulatory agencies with authority over motor vehicle dealers

Oregon dealers support the necessary funding to maintain and modernize our current infrastructure network. We also support efforts to increase capacity and reduce congestion by paving more lane miles for our customers to drive. However, the creation of a new sales tax, euphemistically named either a “privilege” tax on dealers for selling vehicles, or a “use” tax on the purchase of a vehicle out of state, is a poison pill. We cannot support, nor be neutral, on a funding package with either of these two provisions – regardless of the amount of the new sales tax incorporated in this bill.

We urge the committee to remove Sections 90 and 91 from the bill before moving forward. We are agnostic on whether other taxes and fees are adjusted up to compensate for the lost revenue, or whether the bill moves forward with a smaller price tag. It is not the money generated, nor the percentage of the tax, that dealers oppose. We oppose the creation of a new sales tax as a funding source.

The practical implications in the market place for creating a new sales tax on the purchase of a vehicle could be devastating, especially to small dealers in border towns competing with dealers in other states. Additionally:

- (a) The new sales tax will encourage customers to make private party purchases from entities which are not dealers. These entities do not have the same protections for consumers as purchases made from a state certified vehicle dealer;
- (b) The new sales tax will encourage “underground” sales and discourage people from getting state certified as a vehicle dealer. These “curbers” (and industry term for unlicensed dealers) take advantage of consumers and cost the state millions of dollars in uncollected fees; and
- (c) When considering the cost implications of this new sales tax, please bear in mind that many customers will be financing the cost of this new sales tax. This means they will be paying interest on the tax over time, thus dramatically increasing the actual impact of the tax.

**Oregon Vehicle Dealers Association**

PO Box 4290 Salem OR 97302 (503) 399-9199 ovda@ordealers.com www.ordealers.com

- (d) When considering the cost implications of this new sales tax, please bear in mind the costs are also on police cars, fire trucks, school buses and other government-purchased and owned vehicles. At a time when local governments are already struggling, this new sales tax will make it more difficult and more expensive for communities of all sizes to retire aging vehicles and replace them with new, more fuel efficient and environmentally sound vehicles.

Should the bill move forward with this new sales tax, we hope the Committee will consider some minor changes (some will have impacts in the amount of money collected). This is not an exhaustive list of the problems associated with the creation and implementation of this new sales tax, but it is a start. We welcome an opportunity to further vet the issues with the appropriate staff if given direction to do so.

- (1) As written the new sales tax is calculated on the retail purchase price of a vehicle without first deducting the value of a traded-in vehicle. If a customer trades in a vehicle worth \$5,000 to purchase a vehicle for \$10,000, the actual amount paid is \$5,000, not \$10,000, and the tax should be calculated on the reduced sale price;
- (2) The new sales tax is capped at \$3,750. However, two categories of vehicles are not capped (see page 202 lines 6-9 and 16-19). This means very highly priced vehicles which might otherwise be sold in Oregon will simply be shipped and sold in other states when the purchaser is not going to title the vehicle in Oregon. The exception of vehicles from the cap should be removed;
- (3) Two additional issues of concern regarding taxing antique and very valuable vehicles: First, using the current definition of an antique vehicle means the tax will be limited on the sales of vehicles model year 1958 or older. But vehicles beginning with the 1959 model year do not have the same cap on the sales tax. The model year changes year to year. Second, taxing the sale of antique vehicles, or other vehicles of special interest, may have a chilling impact on an emerging market in Oregon. That is, antique and classic auto auctions where sellers and buyers from around the region, nation and even the world travel to destinations – like Portland – to participate in televised auctions of highly valuable vehicles. The new sales tax on the sale of vehicles in Oregon – even when both the buyers and sellers are from out of state -- could completely shut down these auctions which have a strong economic impact on the regions in which they are held; and finally
- (4) The current iteration of the transportation funding package taxes “all terrain vehicles” even though most of these vehicles are not titled or registered as motor vehicles and they are not permitted to use public roads. This would require a process at DMV to collect a tax from dealers on vehicles where the owners currently have no interaction with DMV regarding the ATVs.

In sum, Oregon vehicle dealers support the Legislature addressing our critical transportation funding needs. We have always been supportive in the past and hope to be supportive – or at least neutral – this year. However, the inclusion of any type of “privilege” tax or “user” tax, which are a new sales tax thinly disguised under other names, is a poison pill which will generate enough opposition from dealers – and others – to potentially scuttle the success of the funding package.

I am happy to answer any questions.