

# The Automobile Excise Tax



**PERSPECTIVES  
AND OPTIONS**

# SUMMARY OF PRESENTATION

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- Prior history of low-value exemption in PVD
- Low-value exemptions in other New England states
- The impact of taxes on the cost of car ownership
- The value of City services for car owners
- The fiscal impact of adjusting the car tax exemption and rates



# 1. PRIOR HISTORY OF EXEMPTION IN PVD AND RI

- **Before 1999, the exemption in PVD and all RI cities and towns was \$0.**
- **In 1999, the General Assembly enacted legislation\* providing 100% State-level reimbursement if cities and towns offered exemptions up to a given threshold, phased in over time:**
  - **FY 1999: \$0-\$1,500**
  - **FY 2000: \$1,500-\$2,500**
  - **FY 2001: \$2,500-\$3,500**
  - **FY 2002: \$3,500-\$4,500**
  - **FY 2003-05: \$4,500**
  - **FY 2006: \$5,000**
  - **FY 2007: \$6,000**
- **\*R.I.G.L. §44-34.1-1**



# HISTORY OF THE CAR TAX [PART 2]

- **General Assembly defunded the program in 2010, limiting reimbursement to \$500 exemption.**
- **Providence retained the \$6,000 exemption in 2010-11, contributing to a \$70 million mid-year deficit and a “Category 5 Fiscal Hurricane”**



- **In the 2011-12 budget,**
- **Providence reduced the**
- **exemption to \$1,000.**



# LOW VALUE EXEMPTIONS IN OTHER NEW ENGLAND STATES

- **Massachusetts: \$0, but phase out valuation based on age.**
- **New Hampshire/Maine: \$0, but rates decrease as vehicle gets older.**
- **Connecticut: \$0, with rates set by each community (Hartford is \$74.29)**
- **Vermont: No tax**



## TAXES AS A PART OF THE COST OF OWNERSHIP OF A PVD CAR WORTH \$3,000

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- **Gasoline: \$1,079 - \$2,157**
- **Liability Insurance: \$1,000**
- **Maintenance: \$497**
- **State Fees: \$68**
- **City Car Tax: \$120**
  
- **TOTAL: \$2,764 - \$3,842**
  
- **Car Tax as % of total: 3.1%- 4.3%**



# **COST OF CITY SERVICES FOR CAR OWNERS**

| <b>SERVICE</b>               | <b>COST (\$MILLION)</b> | <b>COST (PER PVD CAR)</b> |
|------------------------------|-------------------------|---------------------------|
| <b>HIGHWAY PROGRAM</b>       | <b>\$4.04</b>           | <b>\$35.35</b>            |
| <b>SNOW REMOVAL</b>          | <b>\$1.60</b>           | <b>\$14.01</b>            |
| <b>TRAFFIC ENGINEERING</b>   | <b>\$1.17</b>           | <b>\$10.28</b>            |
| <b>ROAD REPAIR BOND</b>      | <b>\$2.91</b>           | <b>\$25.45</b>            |
| <b>STREET LIGHTS</b>         | <b>\$4.30</b>           | <b>\$37.64</b>            |
| <b>POLICE TRAFFIC SAFETY</b> | <b>\$3.0</b>            | <b>\$26.26</b>            |
| <b>TOTAL</b>                 | <b>\$17.02</b>          | <b>\$149.00</b>           |



# Breakdown of Vehicles by Value

| Value             | Count          | Percentage     |
|-------------------|----------------|----------------|
| \$0-\$1,000       | 6,191          | 5.42%          |
| \$1,001-\$5,000   | 51,275         | 44.89%         |
| \$5,001-\$10,000  | 28,166         | 24.66%         |
| \$10,001-\$20,000 | 20,760         | 18.17%         |
| \$20,001-\$30,000 | 5,436          | 4.76%          |
| \$30,001-\$40,000 | 1,400          | 1.23%          |
| \$40,001-\$50,000 | 436            | 0.38%          |
| \$50,000+         | 569            | 0.50%          |
| <b>TOTAL</b>      | <b>114,233</b> | <b>100.00%</b> |

- More than 50% of vehicles valued < \$5,000
- Nearly 75% valued < \$10,000
- Less than 7% valued > \$20,000.



# FISCAL IMPACT OF CHANGES TO TAX FOR “LOW VALUE” VEHICLES (1)

| Tax Rate | Exemption | Minimum Tax | Impact (\$ million) |
|----------|-----------|-------------|---------------------|
| \$60.00  | \$1,000   | \$0         | \$0                 |
| \$60.00  | \$2,000   | \$0         | -\$5.52             |
| \$60.00  | \$3,000   | \$0         | -\$10.40            |
| \$60.00  | \$4,000   | \$0         | -\$14.51            |
| \$60.00  | \$5,000   | \$0         | -\$17.82            |
| \$60.00  | \$6,000   | \$0         | -\$20.52            |
| \$76.78  | \$6,000   | \$0         | -\$15.15            |



# FISCAL IMPACT OF CHANGES TO TAX FOR “LOW VALUE” VEHICLES [2]

| Tax Rate | Exemption | Minimum Tax* | Impact (\$ million) |
|----------|-----------|--------------|---------------------|
| \$60     | \$1,000   | \$100        | +\$2.50             |
| \$60     | \$1,500   | \$100        | +\$0.24             |
| \$60     | \$1,550   | \$100        | +\$0.01             |
| \$57     | \$1,000   | \$100        | +\$0.58             |

\*if your actual tax is \$100 or higher, you do not pay the minimum tax.  
Requires change in State law.



# FISCAL IMPACT OF CHANGES TO TAX FOR “LOW VALUE” VEHICLES [3]

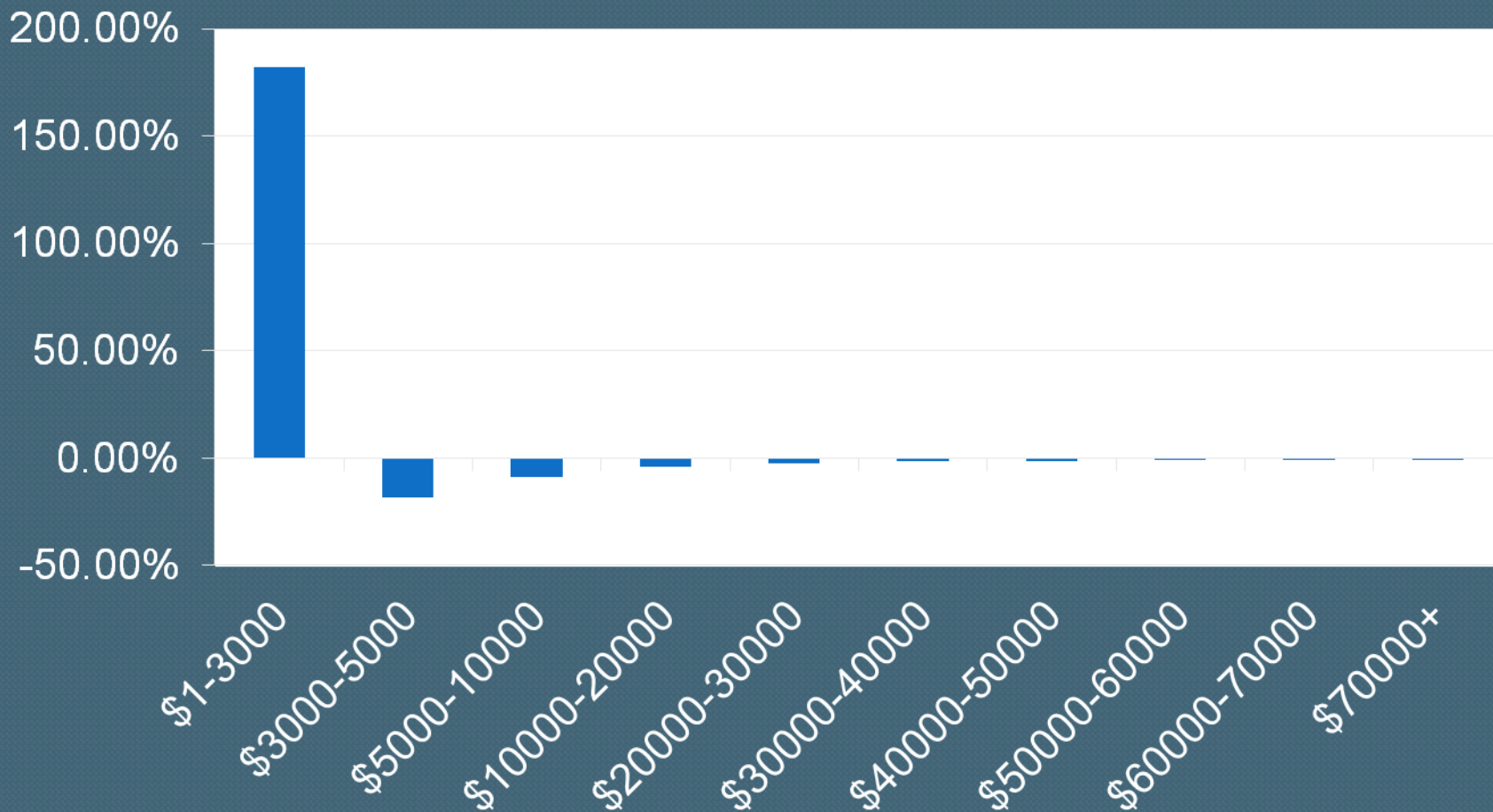
| Tax Rate | Exemption | Minimum Tax* | Impact (\$ million) |
|----------|-----------|--------------|---------------------|
| \$60     | \$1,000   | \$150        | +\$4.43             |
| \$60     | \$2,000   | \$150        | +\$0.75             |
| \$60     | \$2,250   | \$150        | +\$0.01             |
| \$53     | \$1,000   | \$150        | +\$0.19             |

\*if your actual tax is \$150 or higher, you do not pay the minimum tax.  
Requires change in State law.



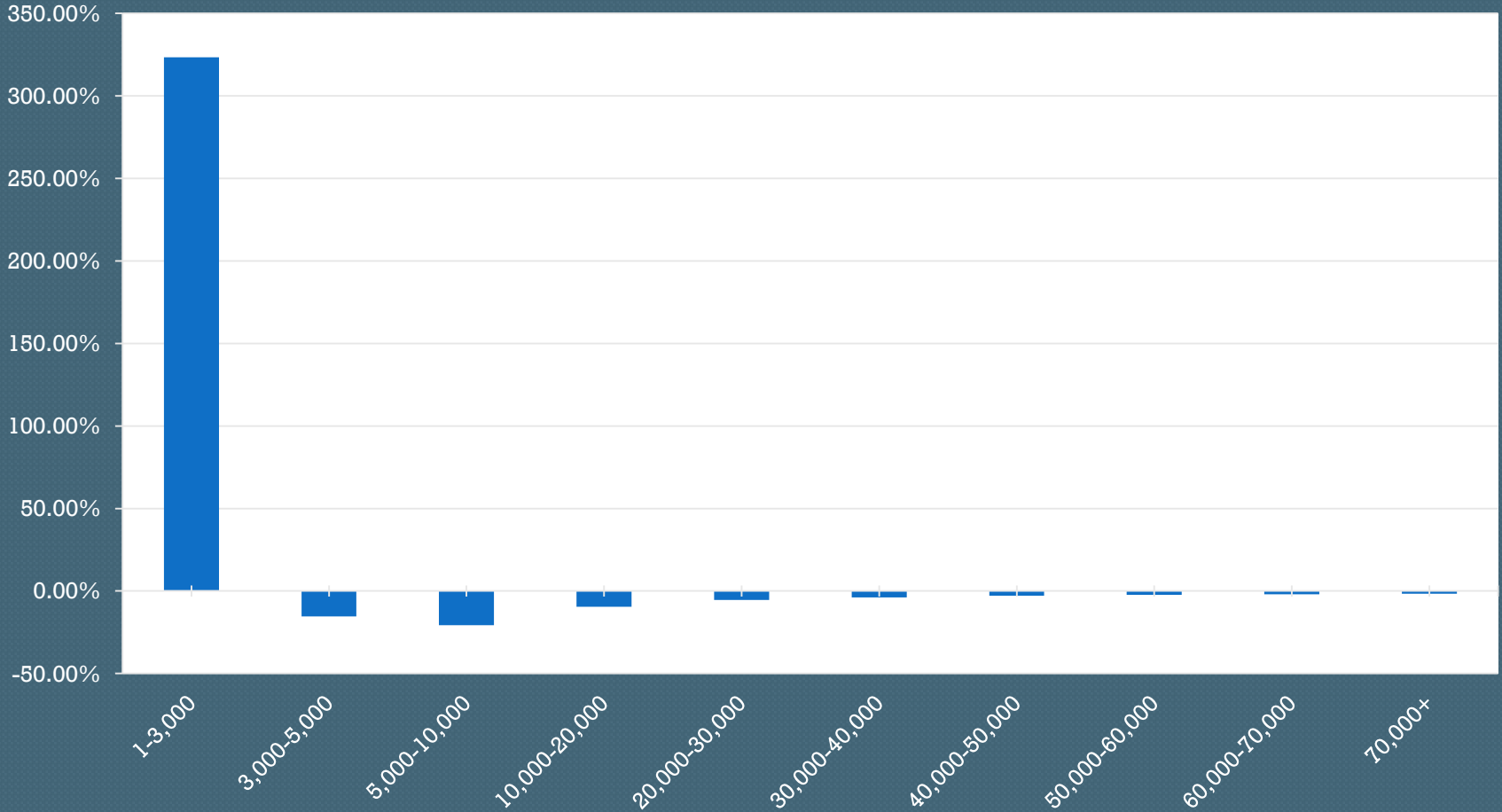
# CURRENT VS. \$100 MIN TAX W/ \$1550 EXEMPTION

## % CHANGE IN REVENUE BY VEHICLE VALUE



# CURRENT VS. \$150 MIN TAX W/ \$2250 EXEMPTION

## % CHANGE IN REVENUE BY VEHICLE VALUE



# CURRENT VS. \$100 MIN TAX W/ \$1550 EXEMPTION

## % CHANGE IN REVENUE BY VEHICLE VALUE

| Value Range          | Total Current Tax   | Total Scenario Tax  | Dollar Change   | Percentage Change |
|----------------------|---------------------|---------------------|-----------------|-------------------|
| <b>1-3,000</b>       | \$1,369,699         | \$3,865,300         | \$2,495,601     | 182.20%           |
| <b>3,000-5,000</b>   | \$4,512,816         | \$3,672,141         | (\$840,675)     | -18.63%           |
| <b>5,000-10,000</b>  | \$9,361,553         | \$8,507,975         | (\$853,578)     | -9.12%            |
| <b>10,000-20,000</b> | \$13,435,379        | \$12,868,010        | (\$567,369)     | -4.22%            |
| <b>20,000-30,000</b> | \$6,614,888         | \$6,456,323         | (\$158,565)     | -2.40%            |
| <b>30,000-40,000</b> | \$2,411,415         | \$2,371,155         | (\$40,260)      | -1.67%            |
| <b>40,000-50,000</b> | \$1,102,605         | \$1,088,679         | (\$13,926)      | -1.26%            |
| <b>50,000-60,000</b> | \$405,225           | \$401,034           | (\$4,191)       | -1.03%            |
| <b>60,000-70,000</b> | \$211,765           | \$209,917           | (\$1,848)       | -0.87%            |
| <b>70,000+</b>       | \$291,439           | \$289,360           | (\$2,079)       | -0.71%            |
|                      | <b>\$39,716,784</b> | <b>\$39,729,894</b> | <b>\$13,110</b> | <b>0.03%</b>      |

# CURRENT VS. \$150 MIN TAX W/ \$2250 EXEMPTION

## % CHANGE IN REVENUE BY VEHICLE VALUE

| Value Range   | Total Current Tax   | Total Scenario Tax  | Dollar Change  | Percentage Change |
|---------------|---------------------|---------------------|----------------|-------------------|
| 1-3,000       | \$1,369,699         | \$5,797,950         | \$4,428,251    | 323.30%           |
| 3,000-5,000   | \$4,512,816         | \$3,821,250         | (\$691,566)    | -15.32%           |
| 5,000-10,000  | \$9,361,553         | \$7,421,603         | (\$1,939,950)  | -20.72%           |
| 10,000-20,000 | \$13,435,379        | \$12,145,904        | (\$1,289,475)  | -9.60%            |
| 20,000-30,000 | \$6,614,888         | \$6,254,513         | (\$360,375)    | -5.45%            |
| 30,000-40,000 | \$2,411,415         | \$2,319,915         | (\$91,500)     | -3.79%            |
| 40,000-50,000 | \$1,102,605         | \$1,070,955         | (\$31,650)     | -2.87%            |
| 50,000-60,000 | \$405,225           | \$395,700           | (\$9,525)      | -2.35%            |
| 60,000-70,000 | \$211,765           | \$207,565           | (\$4,200)      | -1.98%            |
| 70,000+       | \$291,439           | \$286,714           | (\$4,725)      | -1.62%            |
|               | <b>\$39,716,784</b> | <b>\$39,722,069</b> | <b>\$5,285</b> | <b>0.01%</b>      |