Chris O'Brien

From: Timothy Donahue <donahuet78@gmail.com>
Sent: Wednesday, February 12, 2025 7:59 AM
To: House Finance Committee
Subject: Article 5, Section 13 Motor Vehicle Excise Tax

Thank you, Chairman Abney and members of the Committee for reviewing my testimony opposing the change proposed within Section 13 of Article 5.

The motor vehicle excise tax was an onerous tax in many communities which varied wildly between communities and was seen as unfair by many residents and deserved to be ended.

The Assembly made a number of wise choices in how it ended the tax and was generous in ending the tax earlier than assumed in its original plan by expediting the aid amount to communities, and providing relief to taxpayers during a tumultuous time.

Phasing out the tax required freezing the local levy at the 2017 levy amount. While taxpayers have had relief from the tax, municipalities were required to manage the reduction in funding compared to the naturally occurring churn of value of vehicles as people replaced older vehicles with newer ones. That freeze was necessary for the state to end the tax, but came with a commitment to share some of the state's good fortune when sales taxes were strong. This potential for growth would allow communities to recoup some of the losses incurred during the freeze. If this proposal passes, that 2017 levy amount is all the resources communities will have in perpetuity to address the same personnel, medical, and other inflation factors that the state faces. To do so, municipalities will have to look to other revenue streams.

Municipalities primarily had four types of revenue streams to support most of their costs, levies from the motor vehicle excise, tangible, residential and commercial property taxes. As noted, the motor vehicle tax has been frozen at the 2017 value, and as of last year, the Assembly froze the tangible tax levy. This leaves the majority of the burden on residential and commercial property taxpayers.

It's also worth considering the state ended its General Revenue Sharing aid program in 2009, and that except for the PILOT program, its other local aid programs are generally set appropriations which do not vary with any direct economic factor. While PILOT may grow over time, that growth still represents a loss of over 70 percent of the potential levy, when fully funded. This is also particularly pronounced in communities like Providence, where less than half of property tax taxpayers support the entire city's financial burden.

Thank you for taking the time to review my testimony, I ask you to oppose this change and also fully fund the state's other local aid programs.

Thank you for your time and attention.