



**Testimony in Support of LD 1381, “An Act to Create Fairness in Maine's Motor Vehicle Excise Tax by Basing the Tax on the Sale Price”**

Senator Grohoski, Representative Perry, and the distinguished members of the Committee on Taxation, my name is Nick Murray and I serve as policy analyst for Maine Policy Institute, a nonpartisan, non-profit organization that advocates for individual liberty and economic freedom in Maine. Thank you for the opportunity to testify in support of LD 1381.

Maine’s red tape and regulations surrounding automobiles are tremendously expensive and represent yet another cost that everyday Mainers must overcome. These policies make it harder for low-income earners to purchase and maintain a vehicle, which is a critical tool for gainful employment in a rural state. Many states have lower car taxes, and some—like our neighbor New Hampshire—don’t have any automobile sales taxes at all.

A U.S. News analysis of government and private sector data revealed that the average annual cost to own a car in Maine—when insurance, repairs, taxes, fees, and gasoline expenses were calculated—is more than \$5,400.<sup>1</sup> Mainers spend more than the national average, and it’s more expensive here than in New Hampshire or Vermont. The average car owner in Maine pays nearly \$900 in taxes and fees per year, 9th-highest of any state in the nation.

Purchasing a vehicle with a manufacturer’s suggested retail price (MSRP) of \$20,000 in Maine, state sales tax alone would be \$1,100. If that vehicle cost \$30,000, the buyer would pay \$1,650 in sales taxes. Mainers must also pay an annual excise tax to register their vehicle with their municipality. While this tax varies depending on the age of the vehicle, but the burden is often high, especially for those on the cusp of making ends meet.

If those \$20,000 and \$30,000 vehicles were made in 2020, the excise taxes on each would be \$480 and \$720, respectively. Even the excise tax on a \$20,000 car manufactured in 2010, a more realistic choice for a low-income family, would still be \$80.

Maine’s effective tax burden on new automobiles is a staggering 8%. Including registration fee and possible title application fee, all told, the owner of a new \$20,000

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<sup>1</sup> [The Most Expensive States to Own a Car | U.S. News](#)

vehicle would pay more than \$1,600 in fees and taxes the first year they purchased their car. The owner of a new \$30,000 car would pay more than \$2,400.

This is not a good position for a state where the cost of living is 15% higher than the national average,<sup>2</sup> with only the 33rd-highest median household income.<sup>3</sup>

The vehicle excise tax is the most egregious of all these costs: Mainers are forced—every year—to pay for something they already own! Savvy Mainers who purchased their vehicle in a private sale, or even negotiated a better sale price with a dealer, should not be punished by being taxed on a price they did not ultimately pay.

Please deem LD 1381 “Ought To Pass” and work to reduce the overall costs of car ownership and increase availability of transportation for Mainers living in poverty. Thank you for your time and consideration.

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<sup>2</sup> Cost of Living Index by State 2023.

<https://worldpopulationreview.com/state-rankings/cost-of-living-index-by-state>

<sup>3</sup> [Maine By The Numbers 2020](#) | Maine Policy Institute