



**TESTIMONY OF LAURA PERROTTA, PRESIDENT
NEW JERSEY COALITION OF AUTOMOTIVE RETAILERS**

Members of the Assembly/Senate Budget Committee,

Thank you for the opportunity to testify today. My name is Laura Perrotta, and I am the president of the New Jersey Coalition of Automotive Retailers or NJ CAR.

NJ CAR represents the State's 523 franchised new car and truck dealers throughout the state. Our dealers are the main street businesses in your districts, providing cars, trucks, service, and good paying jobs to residents in every town and every neighborhood across the Garden State.

We are shocked and, on behalf of one-half million new car buyers per year in New Jersey, we are deeply concerned with Governor Murphy's latest budget proposal eliminating the trade credit on new car sales. This is a bad public policy that makes New Jersey even more unaffordable for working and middle-class families that own or buy new vehicles. And it runs counter to the underlying philosophy of New Jersey Sales and USE Tax. I emphasize the word USE because the long-standing policy in New Jersey has been to recognize that a trade-in vehicle is still useful and, since the owner making the trade for a new vehicle has not exhausted the useful life of the vehicle, they should not have to pay tax on the full amount of their new purchase. Fair is fair.

Governor Murphy's proposal lists the trade-in tax credit as part of the overall revenue package for fiscal year 2025. The entire package lacks details so it is not clear exactly what he has in mind or how much the Governor's new tax will raise. What is clear is that the tax will make buying a new car even less affordable in New Jersey and, coupled with the Governor's \$1000 EV registration fee and the elimination of the sales tax exemption on EVs, this policy flies in the face of the Administration's stated goal of promoting the sale of cleaner and greener new motor vehicles

New and used car buyers don't pay sales tax on the full value of their new ride if they have a trade-in. Instead, they get a sales tax credit that recognizes the value of their trade, which reduces the net taxable value of their new purchase.

Have no doubt: repealing the trade tax credit will hurt New Jersey consumers who are trying to buy a new or newer, more reliable vehicle to get to work, to school, to travel, or to simply improve the quality of their ride by getting a safer, modern, electric, hybrid, or gasoline powered vehicle.

The elimination of the trade-in tax credit amounts to an increase in sales tax for many or most car and truck buyers and an increase in the overall cost of purchasing vehicles for New Jersey consumers.

Let me share how the trade tax credit works by offering a simple example. A car buyer whose total purchase price on a new car is \$35,000, shows up at the dealership with a vehicle to trade valued at \$15,000. Without the trade-in tax credit, the customer would be responsible for a 6.625 percent tax on the full \$35,000. But with the trade-in tax credit, the customer pays tax on just \$20,000 and saves

nearly \$1000 on the total transaction cost of their new, safer, cleaner, more reliable family car or work vehicle. That's a huge savings for consumers and can make a big difference in the decision to buy a new car or truck or hold onto their old one.

To be clear, Governor Murphy's Budget Proposal does not identify any details about the proposal for the trade-in sales tax credit. There are a lot of unknowns about how the Governor envisions this change being implemented. But whichever path he goes down, if the Legislature chooses to follow, all roads lead to yet another financial burden for residents of the Garden State and another sad example of how New Jersey is becoming less and less affordable. Moreover, this tax policy change will undermine the Administration's larger public policy of encouraging residents to drive safer, more energy-efficient vehicles, particularly costlier EVs that are already facing decreased federal and state EV incentives, higher New Jersey motor vehicle registration fees, and the elimination of the traditional EV sales tax incentive.

NJ CAR strongly encourages this Committee to reject this harmful proposal.