

# HOUSE FINANCE COMMITTEE

## Public Hearing on HB 1630 and HB 762

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Testimony of  
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Good morning Chairman Bennighoff, Chairwoman Mundy, and members of the House Finance Committee. I appreciate very much the opportunity to provide testimony this morning on House Bills 1630 and 762.

My name is Mark Stine and I represent the Pennsylvania Automotive Association. My association's membership is comprised of the approximately 900 new vehicle dealers doing business in the Commonwealth. New vehicle dealers, in contrast to the other vehicle dealers operating in Pennsylvania, are those who possess franchise agreements with vehicle manufacturers – both domestic and import. Our membership also includes those dealers selling new heavy duty trucks.

The automotive industry in Pennsylvania has long been important to the state's economy. Besides providing consumer products that have become essential to most people's lives, the industry is responsible for thousands of good-paying, family sustaining manufacturing jobs. And sales and service jobs as well – my association's members alone are responsible for the full-time employment of approximately 45,000 Pennsylvanians with payrolls last year exceeding two billion dollars.

As you would expect, much tax revenue to the Commonwealth is derived from the business operations of new vehicle dealers. Payroll taxes, employee income taxes, various business and corporation taxes, and state agency fees are all remitted by vehicle dealers to all levels of government – federal, state, and local.

But the topic of today's hearing is the state sales and use tax revenues resulting from vehicle sales. The Governor's Executive Budget document annually breaks out the amount of sales and use tax revenue that is derived from the sale of motor vehicles and has done so for some time. In fact, I remember when I was cutting my teeth here in the capitol as an analyst for the Legislative Budget and Finance Committee, having been tasked for some assignment and being pleasantly surprised and appreciative that the Department of Revenue segregated these tax revenues for reporting purposes. According to the latest budget document, in FY 2011-12, approximately 1.2 billion dollars in sales and use tax revenues were reported to be derived from motor vehicles. That is over 13 percent of the total amount of sales and use tax remitted that fiscal year.

Over the years, the percentage of sales and use tax revenues resulting from motor vehicles has fluctuated. I recall that several years ago it approached 18 percent of total revenues. Even at thirteen percent however, it is a considerable, and appreciable, amount of revenue for the Commonwealth. Incidentally, the budget estimates that the immediate future years will result in little change in that percentage figure.

The legislative proposals offered by Representatives Roae and Evankovitch apparently seek to dedicate some, and gradually more and more, of the motor vehicle sales and use tax revenues to the state Motor License Fund.

We at the Pennsylvania Automotive Association consider our membership's involvement with the sales and use tax revenues as limited to collecting and remitting these taxes, as prescribed in state law. How these monies are dispensed with once they are remitted we consider to be best left to the legislature and the Governor's Office, with the certainty that the best means of allocating such revenues, and into whichever funds, can be best decided upon by them. We are therefore positionally neutral on the provisions of HB 1630 and HB 762.

When preparing for this appearance today, I was queried if our dealer members would have difficulty segregating the sales and use tax revenues resulting from vehicle sales from the other sources of such taxes inside their dealerships. My understanding is that implementing the segregation that would be required by the enactment of either of these bills would not be problematic to dealers. Currently, the state Tax Code provides a one percent early remittance incentive for sales tax revenues that is not applicable to vehicle sales, just those other commodities sold at the dealership. Consequently, dealers are already differentiating between the sales and use taxes resulting from vehicle sales and those derived from other sources.

Thank you again for the opportunity to provide the position of my industry on this proposal. I wish you the best of luck as you deliberate the merits of the legislation before your committee and I would be happy to answer any questions you may have.