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**COMMENTS ON 17-H 6267, H-5163, H-5250, H-5815, H-5912, H-5559, AND H-6200
RELATING TO THE STATE'S VEHICLE VALUE TAX
June 6, 2017**

According to the state of Rhode Island, each of the approximately 900,000 cars registered within the state is free of mechanical defects, has only “minor surface scratching with a high gloss finish and shine,” an interior that “reflects minimal soiling and wear,” and “all equipment in complete working order. Such a presumption defies reality.

Although by definition most Rhode Island cars will be of average retail value, the Vehicle Value Commission has used – and continues to adhere to – a perception of Rhode Island as an automotive utopia, where all cars are as pristine at 16 years as they are the day they are driven off the lot. As a result, Rhode Island drivers have been faced with heavy taxes and, disturbingly, denied any meaningful appeal process to have their vehicles recognized fairly. This can and must change.

While the ACLU of Rhode Island believes there are many ways for the General Assembly to resolve this state of affairs, the time has come for the legislature to step up to the plate and take action to address this continually simmering issue. Without necessarily promoting any one particular approach, we do urge favorable consideration of legislation that will finally rectify the injustice caused by the current vehicle value policies.

Most residents are upset by the fact of the tax itself, but the ACLU's concern has been focused on the *arbitrary method* by which the tax is assessed. Whether it is by passing the House Speaker's bill, H-6267, which would ultimately eliminate the tax altogether and revise some of the valuation standards in the meantime, or revising it somewhat to take into account other procedures to address the system's current inequities, we agree the time has come to upset the status quo.

The current standards adopted by the Vehicle Value Commission follow the pattern of years before by determining the amount of a car's excise tax in almost-exclusive reliance on National Automobile Dealers Association (NADA) book values. More specifically, the regulations rely solely on the NADA's designated “clean retail value” of a car, based on its make and model, for all used cars up to 17 years old. For new cars, the manufacturer's suggested retail price as listed in the NADA book or similar guide sets the value.

Six years ago, the General Assembly gave municipalities much greater discretion to collect taxes on motor vehicles, making the valuation process more important than ever. Previously, the state required cities and towns to exempt the first \$6,000 of a vehicle's value when calculating tax bills. Now, however, municipalities need only exempt the first

\$500, and many communities have taken advantage of that opportunity in order to raise much-needed revenue. This, in turn, understandably created post-sticker shock among many car owners who, in a number of cases, face significant tax bills on cars that may not have been subject to any tax at all for years, or were the subject of much lower taxes.

In many cases it is not the tax alone that is the issue, but the *unrealistic vehicle valuation* on which the taxes were based. The “clean retail value,” which the state currently relies on, is the highest car value offered in the NADA book, and it is often much higher than the other listed values that more meaningfully reflect the real world of car buying and selling. The NADA book offers four possible ways of valuing used cars – first, the top-of-the-line “clean retail value,” but then a “clean trade-in value,” an “average trade in-value” and a “rough trade-in value.” While we could understand rejecting use of the “rough trade-in value” as not accurately reflecting the condition of most cars, it is just as inappropriate and unfair to rely solely on the “clean retail value,” especially for cars that have been on the road for seven, ten or fifteen years or longer.

Even more problematic from a civil liberties and due process perspective, this presumption is irrebuttable, and thus no presumption at all. There is no meaningful appeal process to aggrieved car owners; adjustments are made only when an incorrect NADA car value was inadvertently imposed, not when the taxpayer challenges the NADA figure itself based on, for example, local selling conditions.

As a result, the tax has its largest impact on those least able to pay it. By considering every vehicle to be pristine, the state ignores the financial realities of those who have been unable to purchase new cars or keep their vehicles in like-new condition. While these Rhode Islanders have made the financial decision to prioritize other things over their car, the state expects them to pay as if they have all the money in the world to spend on vehicle maintenance. As Rhode Island continues to deal with financial problems and Rhode Island families have tightened their belts, this tax has become even more difficult to bear.

Many years ago, the General Assembly was more explicit in requiring the Commission to consider factors beyond the NADA book value. Specifically, the original statute required the Commission to give consideration to:

*(i) The average retail price **in Rhode Island** of similar vehicles of the same make, model, type, and year of manufacture as reported by motor vehicle dealers and by official used car guides, such as that of the national automobile dealers association for New England;*

(ii) Retail sales prices determined for Rhode Island state sales tax purposes;

(iii) Rhode Island retail sales prices as advertised in newspapers; and

(iv) Such other information concerning the average retail prices for make, model, type, and year of manufacture of motor vehicles as the director and the Rhode Island vehicle value commission may deem appropriate to determine fair values.

[NOTE: the highlighted portions were deleted from the statute in 1998]

Regrettably, the General Assembly amended the statute a few years later to eliminate sales tax information and newspaper advertisements as explicit criteria. Since then, the Vehicle Value Commission has repeatedly – despite persistent requests from Rhode Islanders to change the valuation – used only the NADA’s “clean retail value” number to determine the tax owed on any vehicle. As a result, Rhode Islanders are regularly hit with taxes that assume their vehicles are worth much more than they are, with virtually no ability to have their taxes reduced to a fair and representative level.

Whether and how cities and towns get reimbursed for the loss of tax revenue that changes to the vehicle valuation system may bring, the simple truth is that the revenue has been obtained based on an inappropriate and unfair tax system that should not have been allowed to flourish in the first place, and should not now be allowed to continue. Cities and towns should not benefit from a tax that preys on their residents, and the state should no longer defend or perpetuate such a flawed and unfair system.

Without advocating any one particular approach among the many outlined by these various bills, we respectfully urge the committee to provide relief to Rhode Island families and make adjustments to the law this year.