

## AFSA, NVLA Voice Concern About Georgia's Tax Changes Regarding Leased Vehicles



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By **Auto Remarketing Staff**

This week, the American Financial Services Association and the National Vehicle Leasing Association joined forces to urge Georgia lawmakers to reconsider legal changes in regard to financing companies paying taxes when vehicles are leased.

Officials used the joint letter to the Georgia Department of Revenue Office of Tax Policy to raise significant concerns about a law that requires finance companies that provide vehicle leases to pay an initial Title Ad Valorem Tax (TAVT) in addition to the monthly sales taxes on the lease payments.



AFSA said it was approached by a couple other trade associations representing the leasing industry about the issue. AFSA sought input from these groups, invited them to cosign the letter and ultimately NVLA did.

The letter suggests that GA HB 386, which was signed into law on April 19, will result in substantially higher overall costs for leasing versus purchasing a vehicle, putting leasing at a competitive disadvantage and denying some consumers the benefit of leasing.

The letter noted that discouraging leasing could negatively affect tax revenue generation in the state, because a leased vehicle generates more revenue because of the frequent ownership change.

To keep a finance company's cost of a purchase or lease agreement relatively the same, AFSA and NVLA recommended that Georgia either exempt leases from the TAVT and continue to hold them liable for sales and use tax, or adopt the tax purchase model in which TAVT is paid each time vehicle ownership is changed, without additional monthly sales taxes.

The two officials who signed the letter were Danielle Fagre Arlowe, AFSA's senior vice president of state government affairs, and NVLA executive director Jack Tracey.

"Imposing increased costs on lessors puts leasing at a competitive disadvantage and can deny some consumers the benefits of leasing by raising the price of leasing relative to buying," Fagre Arlowe and Tracey wrote to Georgia officials. "Leasing is an affordable way for many consumers to drive vehicles with the latest safety and emissions equipment, and the law should not disadvantage leasing relative to purchasing.

"Our members believe that the costs to them of a purchase or lease agreement should be broadly the same," Fagre Arlowe and Tracey continued. "This can be achieved either by adopting the tax purchase model, in which TAVT is paid each time vehicle ownership is changed, without additional monthly sales taxes, or by exempting leases from the TAVT and continuing to hold them liable for sales and use tax. This latter solution has the advantage that it would not increase the tax base and thus stay true to the intent of the law."

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