



\$10,000 Cap On Sales Tax Exemption For Vehicle Trade-Ins-IADA Joining Coalition To Oppose

During the final hours of the 2019 Illinois General Assembly session, Governor Pritzker and the four legislative leaders in backroom negotiations designed 21 new revenue and tax increase sources to fund spending on governmental operations and a \$45 billion infrastructure program (see enclosed attachment).

One of the new revenue sources includes a provision to limit the sales tax credit on traded-in-vehicles to \$10,000 starting January 2020. This ceiling will impact consumers when trading in vehicles on new purchases. IADA had staunchly opposed this provision, however the votes were lined up for passage of this massive package. By the time the trade-in cap and the other tax increases surfaced on the last day of session, the Governor and the legislative leaders had already agreed to them and there was no way to stop or amend these items.

Although Democrats hold super majorities in both chambers, Republican votes were needed on some key measures to get these revenue enhancers over the finish line, especially when session stretched into Saturday, June 1st, which triggered a constitutional requirement that bills taking immediate effect receive three-fifths majorities in both chambers-71 votes in the house and 36 votes in the senate. Republicans agreed to help the Governor and Democrats to pass this tax package to fund the capital plan, which was a key component of Governor Pritzker's election campaign.

Despite our frustrations with the late-night passage of the trade credit cap, IADA was able to preserve the vendors' collection allowance and increase the Doc Fee. The vendors' collection allowance permits dealers to retain 1.75% of the sales tax that is collected on behalf of the Department of Revenue, and it generates approximately \$60,000 per year for the average dealer. IADA was also able to pass an increase in the Doc Fee, to \$300, which helps reimburse dealers for the increasing cost of complying with new state and federal laws regulating the sale of motor vehicles.

In the meantime, IADA is part of a coalition to hopefully persuade the General Assembly during veto session, to increase or eliminate the \$10,000 ceiling on vehicle trade-ins. The dilemma for the industry is that the Governor's Office projects this provision to generate \$60 million in new revenues and the coalition will have to find a new source of revenue to replace the \$60 million.

We are asking all IADA members to call their local State Representative and Senator ([click here to locate your State Rep. or Senator](#)) over the summer to restore the full tax credit for vehicle trade-ins. Please explain the negative impacts the trade-in cap will have on your business to your legislators. We will update members on progress as we get closer to fall veto session.