

HB 4547 & SB 621 – Creating a Used Car Donor Tax Credit Program

To Incentivize Donation of Reliable and Affordable Vehicles For Discounted Sale to Low-income Working People In Order to Expand Access to Employment Opportunities

Transportation Gap. Not having a car is a major barrier to employment in West Virginia,¹ and car ownership is strongly correlated to employment: at least two-thirds of all carless households² in the state have no employed people.³ In other words, almost 43,000 households in West Virginia have no vehicle and no employed household member. A full 46.4% of the state's working-age population is not in the labor force, compared to only 36.6% for the US as a whole.⁴ This number includes people who have stopped looking for work—often because existing jobs are not accessible to them. Labor force participation has been declining in West Virginia over the last several years, and lack of transportation options only makes the problem worse.⁵

Income Gap. Low-income workers in WV face significant difficulties finding reliable cars for which they can obtain financing at reasonable terms and can therefore afford. Conventional lenders (banks and credit unions) require clean credit histories, which many low-income workers do not have. Their compromised credit triggers higher priced cars and higher interest rates, which often place the purchase price of reliable cars out of reach.

Public Transit Does Not Fill the Void. At the same time, public transit is only available in 33 of the state's 55 counties, and even then it rarely reaches into rural areas.⁶ This leaves carless households without meaningful transportation to get to work, let alone to doctors, to do basic shopping, and to participate in their community.

WV's Used Car Donor Tax Credit Program Proposes to Fill the Gap. To enable more low-income workers to have transportation to get to work, Good News Mountaineer Garage is working with the National Consumer Law Center to develop a comprehensive program that will—

- a) provide low-interest rate financing to eligible workers in the state (those living in households of less than 200% of the federal poverty level) for approved cars;
- b) subsidize both the interest rate charged for the financing and the cost of the cars; and
- c) train participants in critical financial literacy and car ownership skills.

In addition to facilitating access to essential transportation for these workers, participants will improve their credit scores, which will allow them to finance the purchase of cars on their own in the future.

For the program to work, the cars need to last longer than the loans used to purchase them. The cost of buying a vehicle typically should not exceed 10% of gross income,⁷ as other costs of running and maintaining a vehicle are also substantial (insurance, gas, maintenance, etc.). Unless subsidies are provided, even the program's low-interest loans will not be affordable to those working minimum wages,⁸ when used to purchase cars that are both reliable and safe.

Tax Credit. [HB 4547](#) & [SB 621](#) will substantially boost the success of this program by making reliable cars more affordable for participating workers. By providing a tax credit of half⁹ of the reduction from the car's fair market value (up to \$2,000), the bills will 1) incentivize individuals to

donate vehicles of higher value to the program, and 2) incentivize automobile dealers to reduce the purchase price of cars sold through the program. Only cars that are certified by the program to be in reliable and safe condition will trigger the tax credit for their owners. Thus a dealer could sell a \$7,000 car for \$3,000 (reducing the car price by \$4,000), and receive a tax credit for \$2,000.

Cost to the State. The bill will mean reduced revenues to the state of \$300,000 in each of the first two years, and \$1 million per year thereafter.

The state of West Virginia has a strong interest in helping workers access employment opportunities and start paying their own taxes. This program will assist 150 workers in each of the first two years, and 500 workers in each of the following years. After five years, this program will enable 1,650 West Virginians to get to work, generating more than \$32 million in wages for these workers.¹⁰

For further information, please contact:

Ron Wiles, Jr., Deputy Director
Good News Mountaineer Garage
<https://www.goodnewsmountaineergarage.com/>
goodnews.ron@gmail.com
304 680 7140

Margot Saunders, Senior Counsel
National Consumer Law Center
www.nclc.org
mrsaunders@nclc.org
304 553 1123

¹ American Community Survey, Commuting Characteristics by Sex (2017), available at https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_17_5YR_S0801&prodType=table.

² ACS, Household Size by Vehicles Available (2017), available at https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_17_5YR_B08201&prodType=table.

³ Only 2.8% of households in West Virginia are both carless *and* include working people, representing about a third of the 8.6% total carless households.

⁴ ACS, Selected Economic Characteristics.

⁵ West Virginia Forward, Strategy for Economic Development and Job Growth (2017) at 45, available at <https://westvirginia.gov/files/docs/wvforward/West-Virginia-Forward-Summary-of-Findings.pdf>.

⁶ Long et al., The Future of Transit In West Virginia (2013) at 23, available at https://uknowledge.uky.edu/cgi/viewcontent.cgi?referer=https://www.google.com/&httpsredir=1&article=1000&context=ktc_externalreports. Less than one percent of West Virginia workers take public transit to work, compared with 5.1% of workers in the US. ACS, Selected Economic Characteristics.

⁷ <https://www.edmunds.com/calculators/affordability.html>.

⁸ A worker earning \$9 an hour, working 40 hours a week for 50 weeks a year, will gross about \$1,500 a month, and about \$1,350 after withholding. That worker can afford a car loan only if the payments are 10% of his net, or \$135 a month. Assuming a subsidized interest rate of 6%, and a loan term of 24 months, that monthly payment will only allow a loan for \$3050. Very few reliable cars are available for that amount. The number goes up substantially, however, if the program allows the worker to purchase a \$7,000 car for \$3,050. The tax credit in the bill would provide \$2,000 to the dealer in return for reducing the retail price of the car by \$4,000.

⁹ The bills use slightly different numbers. This explanation is based on the terms of HB 4547.

¹⁰ Based on the estimate that by the end of 5 years 1,650 new workers, at \$ 9 an hour, will each earn \$18,000 a year. Cumulatively this will produce \$32.4 million in new wages.