



Center for Business Analytics and Economic Research

GEORGIA SOUTHERN UNIVERSITY

Trade In Tax Exemption Economic and Fiscal Impact Analysis

Prepared for:

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Prepared by:

Center for Business Analytics and Economic Research

Georgia Southern University

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Economic and Fiscal Impact Analysis

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Executive Summary

This report analyzes the economic and fiscal impact of the trade in exemption for the Title Ad Valorem Tax (TAVT) in Georgia. This report was commissioned by the Department of Audits and Accounts (DOAA) under the authority granted by O.C.G.A. 28-5-41.1(b) and was prepared by the Center for Business Analytics and Economic Research (CBAER) at Georgia Southern University. It examines the impact of the trade in exemption by analyzing the difference between the taxable sales under the current law and the effect of ending the trade in exemption on the trade in market.

Under current law, the amount of tax imposed is based on the “fair market” value of the vehicle purchased. For the purposes of the TAVT, when a dealership accepts a trade in as part of a deal to sell a new or used vehicle, the value of the trade in is subtracted from the final purchase price, and is not considered as part of the fair market value assessment.³ The effect of this is that trading in a vehicle during the purchase of another vehicle lowers the amount of taxes paid by the purchaser. Georgia is one of the 47 states that has a trade in exemption. The three that do not are: California, Hawaii, and Virginia.

CBAER estimated that the average 309,919 transactions involving a trade in from 2024 to 2029. Based on an average total value for consumer trade ins of \$5.41 billion over the time period, the average value per vehicle trade in would be \$17,644. By trading in, consumers are reducing the list price (gross purchase price) of the vehicle they purchase by the amount of the trade in. If these transactions were taxed at the current TAVT rate of 7 percent, the average annual TAVT collections would be \$379.02 million, with the state portion being \$132.66 million annually. Per transaction, the average TAVT tax collected on new or used vehicle transactions involving a trade in would be \$1,235 for both state and local government. From this total, the state allocation would amount to \$432 per transaction.

The report focuses on the economic activity associated with the trade in exemption that would be reduced if the exemption were to end. The analysis does not include any other exemptions or discounts used in the vehicle purchasing process. If removed in 2025, the direct impact would be \$125.33 million in output. After including indirect and induced effects, the total output increases to \$201.78 million. This supports 78 direct jobs, which increases to a total of 372 jobs. This activity also supports \$26.02 million in direct value added and \$66.84 million in total value added.

CBAER also performed an alternative use analysis that investigates the impact of the state spending the extra revenue as part of the general fund of the state. The total value added impact of this spending was \$68.80 million in 2025. The additional revenue would support 81 direct jobs and a total of 383 jobs.

³ O.C.G.A. § 48-5C-1(a)(1)(A-B)

With the exemption in place in 2025, the state of Georgia forgoes \$129.01 million in state TAVT revenue. The taxes paid by the extra economic activity generated by the exemption total \$2.51 million, which reduces the net state fiscal impact to \$126.50 million. In 2025, the exemption's return on investment in terms of output is \$1.59. This means that for every net dollar exempted by the state, the output of the state economy rises by \$0.59.

For the automobile market, trade ins play a large role in facilitating vehicle purchases and supporting dealerships. Nationally, 49 percent of new vehicle transactions and 31 percent of used vehicle transactions involved a trade in, indicating that transactions involving a trade in represent a significant portion of the automobile market. This is because trade ins are valued by both consumers and dealerships. For consumers, trading in a car at a dealer during the transaction makes the process faster, easier, and less risky than selling the car privately.

In addition to increasing convenience for consumers, trade ins create other revenue-generating opportunities for dealerships. The sale of trade in vehicles contributes to high gross profits for dealers because they can make higher margins on trade ins.⁴ For licensed dealers, used vehicle sales account for 31 percent of total sales and 25 percent of gross profits. Higher sales of used vehicles can also generate profits for dealers' service departments, as customers are likely to return for regular maintenance.⁵ Trade ins also provide a large percentage of inventory for dealers. When dealers acquire trade ins, they can send them to auction. These auctions are important sources of used vehicle dealers' inventory, especially for independent dealerships, as over 75 percent of their inventory came from auctions in 2023.⁶

The importance of trade ins to both consumers and dealers suggests that trade ins would mostly continue with or without the trade in exemption. While removing the exemption could marginally shift some sales to private transactions, it appears unlikely to cause a significant reduction in overall economic activity. There are three purposes of the trade in exemption. The first increases equity by avoiding the double taxation of vehicles. Currently, 47 other states have a trade in exemption, and debates over the trade in exemption frequently cite equity, as the vehicle was already taxed when it was first purchased.⁷ The second is to maintain revenue collection at a level similar to the system in place before TAVT was implemented.

The third is encouraging economic activity, as the purchase of new or used vehicles keeps dealers' jobs in the local community while stimulating demand for accessories and other secondary transactions. Additionally, increasing the reliability of transportation allows individuals to maintain or increase participation in the economy.

⁴ Edmunds, "Where Does the Car Dealer Make Money?," Edmunds, June 13, 2019,

⁵ Edmunds, "Where does the Car Dealer Make Money?"

⁶ Jeremy Beck, "Behind the Numbers Fresh Look at Industry's Metrics Heading Into New Year," *Used Car Dealer Magazine*, February 2024.

⁷ Joe Barnas, "Illinois Imposing Car Trade-in Tax on Jan. 1; Dealers Call It Double Taxation," *Illinois Policy*, December 12, 2019,

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Tax Provision and Report Overview

This report examines the economic and fiscal impact of the current trade in tax exemption on the sale of new and used vehicles, prepared by the Center for Business Analytics and Economic Research (CBAER) at Georgia Southern University. It focuses only on the motor vehicle transactions in which a trade in was used in the purchasing process, as outlined in O.C.G.A. § 48-5C-1(a)(1). This section of the code focuses on the taxation of purchased motor vehicles based on a fair market value assessment.

To determine the fair market value of a car in a transaction involving a trade in with a new or used car dealer, the value of the trade in is deducted from the initial purchase price.⁸ Therefore, the final purchase price equals the fair market value under the current law in the state of Georgia. For example, if a vehicle is sold for \$20,000, but a vehicle worth \$10,000 is traded in towards this \$20,000, the fair market value of the car being sold will be set at \$10,000. This is then used to calculate the Title Ad Valorem Tax.⁹ The trade in vehicle must also be identified and presented in the sales documentation.¹⁰

In 2013, Georgia began applying the Title Ad Valorem Tax (TAVT) to motor vehicle title transfers, replacing the Annual Ad Valorem Tax. The Annual Ad Valorem Tax was a personal property tax based on an annual Fair Market Value assessment commonly due on the birthdays of vehicle owners.¹¹ Under the TAVT, the code defines the tax rate applied at the time of purchase as seven percent.¹² This one-time tax rate took effect on July 1, 2019, and was reduced to 6.6 percent between January 1, 2020, and June 30, 2023; it was later reinstated to 7 percent on July 1, 2023.¹³ The tax revenue collected in Georgia is divided between the state and local governments, with 35 percent allocated to the state and 65 percent to the local government where the transaction occurred.¹⁴ These are the rates and collection shares applied to transactions using the trade in exemption.

⁸ O.C.G.A. § 48-5C-1(a)(1)(A)

⁹ O.C.G.A. § 48-5C-1(b)(1)

¹⁰ O.C.G.A. § 48-5C-1(a)(1)(D)

¹¹ "Vehicle Taxes—Title Ad Valorem Tax (TAVT) and Annual Ad Valorem Tax," Department of Revenue, accessed October 30, 2025, <https://dor.georgia.gov/motor-vehicles/vehicle-registration-license-plates/vehicle-taxes-title-ad-valorem-tax-tavt-and>.

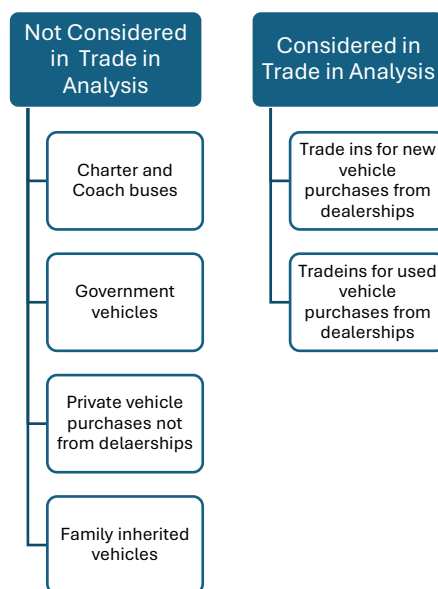
¹² O.C.G.A. § 48-5C-1(b)(1)(B)(ii)

¹³ O.C.G.A. § 48-5C-1(b)(1)(B)(ii)

¹⁴ O.C.G.A. § 48-5C-1(b)(1)(B)(iii)

Portions of O.C.G.A. § 48-5C-1 that are not considered in this report are highlighted in Figure 1 for clarity. These are not discussed either because trade ins are not relevant in these vehicle transactions, or the taxation of the title transfer is significantly lower or removed entirely.¹⁵ The report pertains solely to the trade in tax exemption. There are other exemptions that relate to car sales, including the sale of rental vehicles, vehicles older than 1990, and transfers of car titles as gifts to family members.¹⁶ Georgia also taxes the transfer of commercial vehicles used for interstate commerce, such as semi-trucks and trailers, differently based on the percentage of the miles driven by the vehicle in Georgia.¹⁷ Although these are exemptions to the TAVT, they are not trade in exemptions, and are outside the scope of this report.

Figure 1: Include & Excluded Transactions in Analysis



In the remainder of this report, CBAER has used this information to analyze the economic and fiscal impact of the trade in exemption on the state of Georgia. The report was performed in connection with the Tax Expenditures Transparency Act of 2024. As part of this program, legislative leaders select the tax expenditures to be analyzed, and the Georgia Department of Audits and Accounts (DOAA) manages the process.

This report examines the current economic effects of the tax provision in Georgia and provides background information about the use of the exemption. Next, it includes a comparison of Georgia’s tax exemption with similar provisions in other states to better understand how trade ins are taxed outside of Georgia. The research team then examines the economic impact of the tax exemption. As part of this section, both an alternative use and a “but for” analysis are conducted to illustrate the extent to which changing the exemption would impact the economy. Following this analysis, CBAER performs a fiscal analysis that examines the revenue the state collects from economic activity related to the exemptions and the overall cost of the exemptions. Finally, the report concludes with an assessment of the purpose of the provision and its outcomes. This includes an assessment of the impact of the provision, a discussion of potential changes to the provision, and an analysis of other secondary impacts related to the exemption.

¹⁵ O.C.G.A. § 48-5C-1

¹⁶ O.C.G.A. § 48-5C-1(b)(1)(B)(iii)

¹⁷ O.C.G.A. § 48-5-442.1

Tax Provision Background Information

Various factors influence the use of a trade in exemption, including the source of the cars being purchased, overall demand for motor vehicles, the available supply of vehicles, and the consumer's time horizon. In this section of the report, CBAER analyzes both national trends that impact the car purchasing market and information on transactions that involve trade ins in Georgia. Starting with the national vehicle market, the two factors CBAER examines in this report are the United States demand for used vehicles and the national price consumers pay for a motor vehicle. Demand for used vehicles is a crucial factor because dealers who accept trade ins require a secondary market in which to sell the trade in vehicles.

CBAER also examines how the national market factors influence the use of the trade in tax exemption in Georgia. The data for this analysis cover the period from 2020 to 2024 and were provided to CBAER by the Georgia Department of Revenue. Some factors considered in this discussion include the price of vehicles before trade in (not the fair market value) and the value of trade ins. This information provides an overview of the current market in Georgia, enabling the analysis of past and future tax-exemption impacts.

United States Demand for Vehicles

The COVID-19 pandemic and its aftermath introduced severe disruptions to global automotive supply chains, most notably through the semiconductor shortage that began in 2020. Automobiles require hundreds of chips to manage everything from engine control units to entertainment systems. Pandemic-related shutdowns and surging demand for consumer electronics constrained semiconductor capacity. This forced automakers to cut or idle production lines. The Congressional Research Service estimated that the result was the loss of millions of units of vehicle production in 2021.¹⁸ Federal Reserve analyses also showed historically low dealer inventories and elevated new-car prices.¹⁹ These bottlenecks were compounded by shipping delays, labor shortages, and higher input costs, resulting in the U.S. market being persistently undersupplied with new vehicles well into 2022.²⁰

With fewer new vehicles available, the supply of trade ins and late-model lease returns also declined. Normally, strong new-car sales replenish the pool of near-new vehicles entering the used-car market. When sales of new cars faltered, this channel dried up, pushing the age of typical trade ins higher and constraining supply in the critical one-to-three-year-old segment. This pushed prices higher for new and used vehicles. Further, when consumers shopped for a

¹⁸ Manpreet Singh, "Semiconductor Shortage Constrains Vehicle Production," Congress.gov, December 13, 2021, Semiconductor Shortage Constrains Vehicle Production.

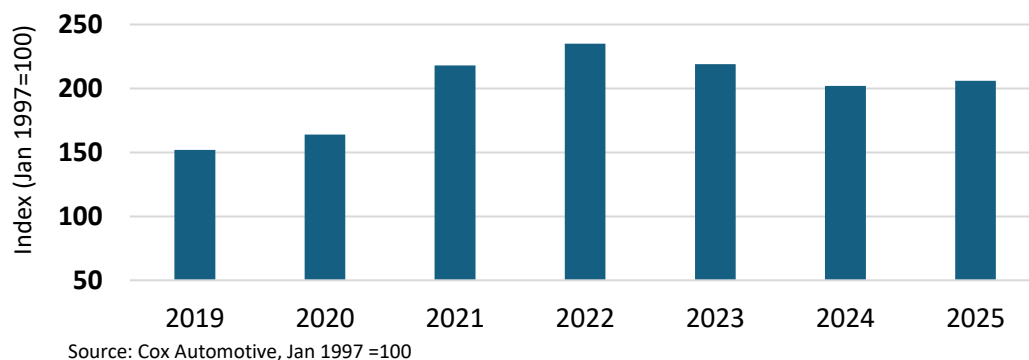
¹⁹ Pawel M. Krolkowski and Kristoph Naggert, "Semiconductor Shortages and Vehicle Production and Prices," Economic Commentary, 8AD, <https://www.clevelandfed.org/publications/economic-commentary/2021/ec-202117-semiconductor-shortages-vehicle-production-prices>.

²⁰ Kristin Dziczek, "Why the Automotive Chip Crisis Isn't Over (Yet)," [chicagofed.org](https://www.chicagofed.org/publications/chicago-fed-letter/2022/473), October 2022, <https://www.chicagofed.org/publications/chicago-fed-letter/2022/473>.

vehicle, the choices at the dealership were limited. This increased the revenue that dealers could get from a trade in while also increasing the cost of acquiring a used vehicle by forcing dealers to offer more for each trade in.

One way to measure this change in the market is to use an industry index based on pricing. The Manheim Used Vehicle Value Index is an industry benchmark produced by Cox Automotive, an automobile data company. This index is a monthly industry-wide index that focuses on wholesale used-vehicle pricing trends. The index uses data from a large set of online vehicle auctions and is calculated to reflect only the change in used vehicle prices, not the underlying characteristics of vehicles being sold.²¹ Figure 2 below provides more information on the surrounding timeframe.

Figure 2: Average Manheim Used Vehicle Value Index 2019-2025



Values presented in the Manheim Used Vehicle Index are a percentage of the average wholesale price of a used vehicle in January 1997.²² For example, a value of 100 means that the price is equal to the January 1997 price, while a value of 200 means that the price is 200 percent, or double, the average price in 1997. The index found that year-over-year wholesale prices increased from 2019 to 2023, then stabilized from 2023 to 2025. The largest year for price increases, on a percentage basis, was 2021, when year-over-year price gains exceeded 20 percent.²³ This was when wholesale prices peaked in December of 2021.²⁴

Next, the team examined the price increase on used vehicles for consumers. This was measured using the Consumer Price Index, which is calculated by the U.S. Bureau of Labor Statistics (BLS). It measures the out-of-pocket expenses of consumers purchasing used vehicles.²⁵ These figures

²¹ "Used Vehicle Value Index," Manheim, October 17, 2025, <https://site.manheim.com/en/services/consulting/used-vehicle-value-index.html>.

²² "Summary Methodology for Manheim Used Vehicle Value Index," Manheim, 2024, <https://site.manheim.com/wp-content/uploads/sites/2/2023/07/Used-Vehicle-Summary-Methodology.pdf>.

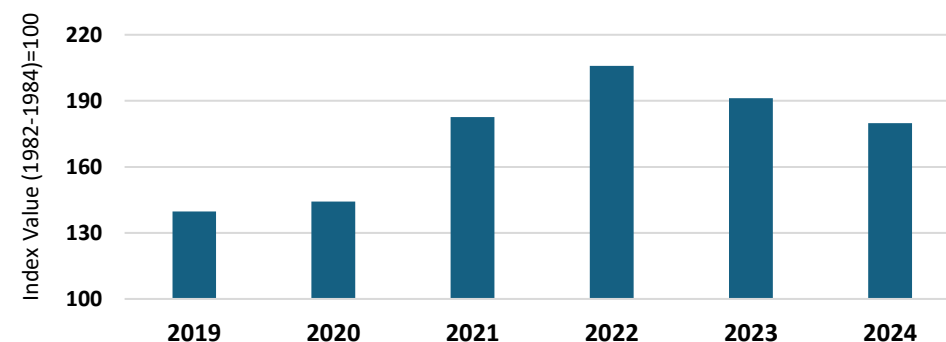
²³ Jeremy Robb, "Q2 Manheim Used Vehicle Value Index Call," Coxautoinc.com, July 8, 2025, <https://www.coxautoinc.com/wp-content/uploads/2025/07/July-8-Q2-2025-Manheim-Used-Vehicle-Value-Index-Call-Presentation.pdf>.

²⁴ Jeremy Robb, "Q2 Manheim Used Vehicle Value Index Call"

²⁵ "Measuring Price Change in the CPI: Used Cars and Trucks," U.S. Bureau of Labor Statistics, May 2025, <https://www.bls.gov/cpi/factsheets/used-cars-and-trucks.htm>.

are adjusted by the BLS to account for depreciation and changes in features.²⁶ See Figure 3 below for more details.

Figure 3: CPI for Used Cars and Trucks, 2019-2024



Source: BLS CPI for Used Cars & Trucks

The CPI for used cars and trucks recorded its largest annual increase in decades, reaching the highest point in July of 2022.²⁷ The constrained supply of both new and near-new vehicles acquired through trade in was met with steady demand. This imbalance produced record prices not only for used vehicles but also for trade ins, as dealers competed aggressively to secure inventory. The automotive purchasing guide Edmunds reported national average transaction prices for three-year-old vehicles exceeding \$30,000 by early 2025, compared to substantially lower levels before the pandemic.²⁸ For consumers, the effect was two-fold: elevated retail prices on the lot and historically strong valuations when trading in existing vehicles.

These market distortions and conditions illustrate the cascading effects of supply chain disruption. What began as a semiconductor bottleneck created issues throughout the entire automotive ecosystem, altering production volumes, inventory levels, and the dynamics of the used car market. Even as chip supplies have gradually improved, the “missing” cohort of new vehicles sold in 2020–2022 continues to limit the availability of trade ins, sustaining higher used-vehicle valuations years later.^{29,30} As a background factor, the increased price of used vehicles provides an extra incentive for consumers to trade in their vehicle for a new one, as the relative value of their trade in is increased. As a result, the revenue and value of the exemption would also increase, as higher used vehicle prices mean a higher trade in value in terms of both the final price of the vehicle to consumers and the amount of TAVT exempted.

²⁶ “Measuring Price Change in the CPI,” U.S. Bureau of Labor Statistics.

²⁷ Bureau of Labor Statistics, “Consumer Price Index for All Urban Consumers (CPI-U)”

²⁸ Ivan Drury, “3-Year-Old Used Vehicle Prices Surpass \$30,000 for the First Time since 2023 as Supply Pressures Mount,” Edmunds, May 2025, <https://www.edmunds.com/car-news/q1-2025-used-car-report.html>

²⁹ Congressional Research Service, 2021. Semiconductor Shortage Constrains Vehicle Production, <https://www.congress.gov/crs-product/IF12000>

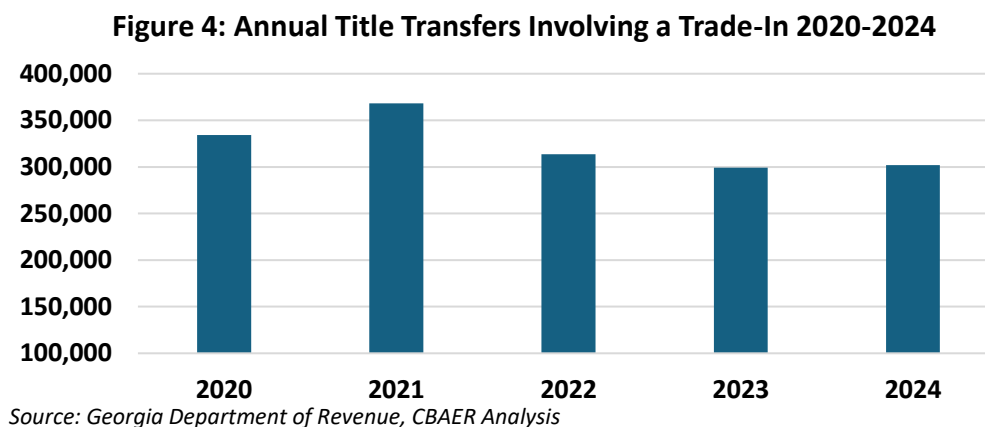
³⁰ Federal Reserve Bank of St. Louis, 2022. New Vehicle Sales and Auto Price Inflation Since the Pandemic, <https://fredblog.stlouisfed.org/2022/04/new-vehicle-sales-and-auto-price-inflation-since-the-pandemic/>

Georgia Use of Trade in Tax Exemption

In 2024, new vehicle dealers in Georgia reported a total revenue of \$38.48 billion, with \$22.27 billion generated from the sale of new vehicles and \$10.73 billion from the sale of used vehicles. Although trade ins were not involved in all of these transactions, these numbers do illustrate the overall size of the new car market in Georgia.³¹ Next, CBAER analyzed the vehicle transactions that used a trade in. Generally, 49 percent of new transactions and 31 percent of used vehicle transactions involved a trade in in the United States.³²

The data discussed in the remainder of this section is solely related to transactions that involved a trade in. The data in this section were obtained from the Georgia Department of Revenue (DOR) and include several variables: new and used transactions, average gross purchase price (before trade in), average trade in value, and average post-trade in price (net price). The remainder of the section explores the effect of trade ins on new and used vehicle purchases from 2020 to 2024.

CBAER examined the total annual volume of transactions that involved a trade in. The complete number of transactions is presented in Figure 4.



Between 2020 and 2024, there were approximately 1.62 million vehicle title transfers that involved a trade in. The average yearly number of transfers over the period was 322,307. However, the number of transfers decreased between 2022 and 2024 when compared to 2020 and 2021. Over the past two years, the total number of transfers has decreased to just above 300,000 per year.

Next, CBAER examined the average gross (before trade in) purchase price when a trade in was part of the transaction. The data is segmented by whether the vehicle purchased was used or new. The new and used columns both describe the type of vehicle being purchased, not the

³¹ Lea Kirschner, "The Economic Impact of Franchised New Car Dealerships on the Georgia Economy," Flipsnack, 2024, <https://www.flipsnack.com/presidentgada/2024-georgia-economic-impact/full-view.html>.

³² "2025 Automotive Trade-in Market Report: Statistics Every Dealer Needs to Know," TradePending, 2025, <https://tradepending.com/blog/blog-2025-automotive-trade-in-market-statistics-dealers/>.

trade in. Table 1 presents the average gross price of vehicles purchased in Georgia, including those with a trade in, for the years 2020-2024.

Table 1: Average Gross (before trade in) Purchase Price in Georgia 2020-2024

Year	New	Used	Average of New and Used
2020	\$41,120	\$27,155	\$34,634
2021	\$44,748	\$33,188	\$38,969
2022	\$50,429	\$37,898	\$43,718
2023	\$51,783	\$36,606	\$44,501
2024	\$51,740	\$34,795	\$43,946
Average	\$47,664	\$33,908	\$40,946

Source: Georgia Department of Revenue, CBAER Analysis

The average gross price of vehicles purchased in Georgia has increased over time for both new and used vehicles. The average gross price of new vehicles rose \$10,619 (26 percent), from \$41,120 in 2020 to \$51,740 in 2024. The average gross price of used vehicles rose by \$6,753 (25 percent), from \$27,155 to \$34,795 in 2024. These price increases resemble national trends and index measures discussed previously. The highest gross prices for used vehicles in the DOR data are in 2022 and 2023. Both the Manheim index and the CPI for Used Vehicles and Trucks report these same years as the peaks. The average gross price of new vehicles was 41 percent higher than that of used vehicles.

Building on this information, CBAER next examined the average trade in value of vehicles over the analyzed timeframe. Table 2 presents the average value of cars traded in for these transactions from 2020 to 2024. In this table, “New” and “Used” describe the car being purchased, not the vehicle being traded in.

Table 2: Average Trade in Value, Georgia 2020-2024

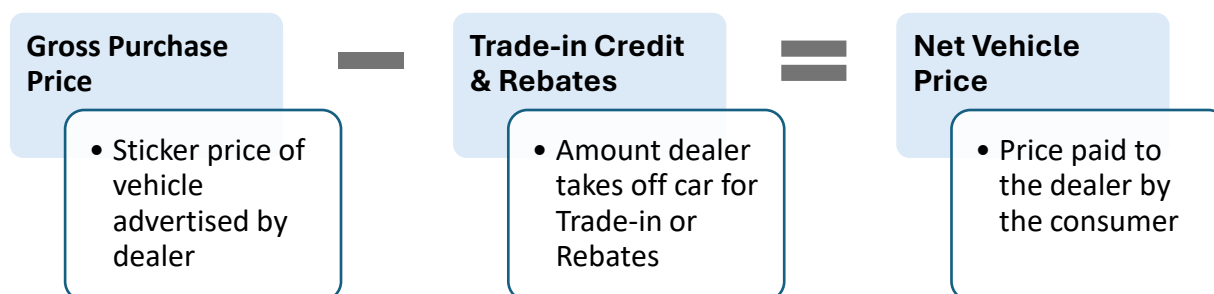
Year	New	Used	Average of New and Used
2020	\$15,654	\$8,988	\$12,558
2021	\$19,606	\$13,095	\$16,352
2022	\$23,398	\$15,798	\$19,327
2023	\$22,079	\$14,201	\$18,299
2024	\$20,829	\$12,605	\$17,046
Average	\$20,124	\$12,977	\$16,634

Source: Georgia Department of Revenue, CBAER Analysis

As the gross purchase price of vehicles in Georgia has increased, so too has the average trade in value. The total trade in value for all vehicles increased by \$4,488 from 2020 to 2024. The total increase for used vehicles was lower at \$3,617, while new vehicles increased by \$5,175 over the same time period. Looking closely, the average trade in value had sharp increases in 2021 and 2022; declines in 2023 and 2024. As noted previously in the report, vehicle prices are starting to normalize. This normalization process could account for some of the decline in the value of both new and used trade ins in 2024.

Next, CBAER examined the average net price of vehicles in the state of Georgia. To calculate this price, CBAER subtracted the trade in value from the gross vehicle price, yielding the net price of vehicles in Georgia when a trade in is used during the purchasing process. This is visually represented in the flow chart displayed next in this report.

Figure 5: Trade-In TAVT Taxing Process



It is this net price where the TAVT tax is calculated, representing a more comprehensive picture of the vehicle purchases consumers have made over the period. Table 3 presents the annual average net price for transactions involving a trade in for new and used vehicles in Georgia from 2020 to 2024.

Table 3: Average Net Price of Vehicles in Georgia 2020-2024

Year	New	Used	Average of New and Used
2020	\$23,465	\$18,141	\$20,992
2021	\$24,072	\$20,092	\$22,082
2022	\$26,665	\$22,099	\$24,219
2023	\$29,042	\$22,405	\$25,857
2024	\$29,806	\$22,187	\$26,302
Average	\$26,461	\$20,924	\$23,757

Source: Georgia Department of Revenue, CBAER Analysis

From 2020 to 2024, the average net price paid by consumers for vehicles has steadily risen. The annual average net price for new vehicles increased by 27 percent, rising from \$23,465 in 2020 to \$29,806 in 2024. The average net price for used vehicles rose more slowly at 22 percent from \$18,141 in 2020 to \$22,187 in 2024. On average, the net price of new vehicles was 26 percent higher than that of used vehicles.

Georgia Trade in Forgone State Revenue

Building on the information in the previous section, CBAER estimates the impact of the current and future trade in vehicle taxation system in Georgia. CBAER developed an estimate for the current and future revenue that the state of Georgia could be forgoing due to the trade in tax exemption, using the categories discussed in the previous section. This includes the gross purchase price, trade in value, and net price of vehicles. The years covered by this part of the analysis are 2025 to 2029, and it includes only transactions involving a trade in. This six-year timeframe was used because it includes one year of DOR data and five years of CBAER estimates.

The forecast in the analysis was estimated based on IBIS World data on new and used car dealers in the United States. On average, over the last five years (2020-2024), in transactions involving a trade in, 51.2 percent included the purchase of a new vehicle, and 48.8 percent included the purchase of a used vehicle. The forecasted information includes this split and has an average annual growth rate of 2.1 percent. Then, using the current TAVT tax rate of 7 percent, CBAER found the total TAVT exempted and state TAVT forgone revenue accounted for 35 percent of the total TAVT revenue; see Table 4 for details.³³

³³ O.C.G.A. § 48-5C-1(b)(1)(A-B)

Table 4: 2024-2029 Vehicle Purchasing and Taxation Forecast*

Year	Vehicle Transaction Progress				Trade in Credit Expenditure	
	Total Gross Purchase Price	Total Trade in Value	Additional Credit & Discount	Total Net Purchase Price	Total TAVT Forgone Revenue	State TAVT Forgone Revenue
2025	\$13,595.75	\$5,265.85	\$205.06	\$8,124.84	\$368.61	\$129.01
2026	\$13,793.46	\$5,341.56	\$207.52	\$8,244.38	\$373.91	\$130.87
2027	\$14,064.13	\$5,447.89	\$212.50	\$8,403.74	\$381.35	\$133.47
2028	\$14,395.61	\$5,578.21	\$218.66	\$8,598.74	\$390.47	\$136.67
2029	\$14,725.31	\$5,708.18	\$225.00	\$8,792.13	\$399.57	\$139.85
Average	\$14,114.85	\$5,468.34	\$213.75	\$8,434.77	\$382.78	\$133.97

Source: CBAER Analysis, *Dollars in Millions

From 2025 to 2029, both the total TAVT forgone revenue and the state TAVT forgone revenue exempted from this focused set of transactions increased by 8.4 percent. For total TAVT foregone revenue, the amount equaled \$368.61 million in 2025 and increased to \$399.57 million by 2029. This leads to a change in state TAVT forgone revenue, which is estimated to reach \$129.01 million in 2025 and \$139.85 million in 2029, representing an increase of \$10.84 million in TAVT collections. Although title transfers are not included in Table 4, CBAER is adding the information here as a point of reference for the analysis. This vehicle purchasing and taxation forecast is based on just under 304,530 title transfers in 2025, which increased to 318,520 in 2029.

Next, CBAER developed an average to summarize the information displayed in Table 4. This is included to provide a quick reference that highlights the findings in terms of title transfers. Over the 2025 to 2029 period, the average state TAVT revenue exempted was \$133.97 million. Then, using the average number of vehicle title transfers of 309,919, the average increase in state revenue is \$432 per transaction. Finally, examining the total trade value, the amount exempted is \$17,644 per transaction.

The data in the section of the analysis came from the DOR. It does vary from the forecast presented in the 2026 Georgia Tax Expenditure Report, which estimates the total expenditure to be \$172 million in 2025 for the state of Georgia and \$320 million in local tax expenditure.³⁴ The difference is that CBAER is analyzing a narrower set of transactions than the expenditure report. In this analysis, CBAER focuses solely on the trade in credit and the amount exempted for trade-ins, rather than considering other potential tax credits, rebates, or cash discounts that may further reduce the net price of vehicles, which were included in the 2026 Georgia Tax Expenditure Report.

³⁴ rep., Georgia Tax Expenditure Report for FY 2026 (Georgia Department of Audits and Accounts, May 2025), <https://opb.georgia.gov/budget-information/budget-documents/tax-expenditure-reports>.

Other States

This section examines how states other than Georgia apply tax to the sale or transfer of motor vehicle titles and whether they provide exemptions for trade ins. The information in this section is based on a review by CBAER of state statutes and tax guidance documents. First, CBAER performs a brief overview of the taxation of vehicle sales or transfers in states not contiguous to Georgia, and how many of these states have a trade in exemption. This segment begins with a count of how many states apply a tax on the sale or transfer of motor vehicles and how many have trade in exemptions. CBAER has also included information on some of the variations states have for these exemptions.

All but five states impose a sales or similar tax on the sale or transfer of title of highway-capable passenger motor vehicles. An analysis of state statutes by CBAER found that only the five states, Alaska, Delaware, Montana, New Hampshire, and Oregon, do not impose this kind of tax.³⁵ This analysis also found that only three states do not have a trade in exemption. These states are California, Hawaii, and Virginia.³⁶

Next, the review also found that not all states with a trade in exemption implement it in the same way. There are variations in the details of trade in exemptions among the states. Some states have additional restrictions on eligibility for exemption or on the amount that can be exempted. Ohio only allows trade in exemptions for purchases of new vehicles.³⁷ This contrasts with Georgia, where the exemption can be claimed on any type of vehicle purchased. Other states limit the exemption based on the location where the transaction occurs. For example, Illinois, New Jersey, and North Carolina only allow an exemption when the transaction takes place at a licensed dealer.³⁸ Finally, some states cap the value of the exemption. An example is Michigan, where the exemption is capped at \$11,000.³⁹ Although they are not uniform, trade in exemptions are commonly available across the United States.

CBAER has chosen to focus on the contiguous states to Georgia, which include Alabama, Florida, North Carolina, South Carolina, and Tennessee, because these are the states outside of Georgia where residents are most likely to purchase a new or used vehicle. Additionally, neighboring states are likely to share transportation policy priorities. For example, the Florida-Alabama Transportation Planning Organization formulates plans for infrastructure projects that involve

³⁵ Rachael Brennan, "Auto Tax Rates by State (2024)," Policygenius, February 2024, <https://www.policygenius.com/auto-insurance/auto-tax-rate-by-state/>

³⁶ Lea B. Kirschner and Benjamin I. Jordan, "Georgia Automobile Dealers Association Comment on Tax Incentive Feedback Vehicle Trade-in Exemption"

³⁷ Ohio Revised Code Section 5739.01(H)

³⁸ 86 IL Admin Code § 130.425, State of New Jersey (n.d), *New Jersey Tax Guide Motor Vehicle Purchases/Leases*. New Jersey Division of Taxation. Retrieved 2 July, 2025, from <https://www.nj.gov/treasury/taxation/documents/pdf/guides/New-Jersey-Consumer-Automotive-Tax-Guide.pdf>,

³⁹ "Revenue Administrative Bulletin 2022-17," State of Michigan, October 25, 2022, <https://www.michigan.gov/taxes/rep-legal/rab/2022-revenue-administrative-bulletins/revenue-administrative-bulletin-2022-17>.

both Alabama and Florida.⁴⁰ Another example is how Georgia and its five neighboring states are part of the Eastern Transportation Coalition, a partnership of 20 states and Washington, D.C., that connects public agencies to enhance infrastructure safety and efficiency.⁴¹ Given their role as frequent places of vehicle purchases for use in Georgia and their shared infrastructure ties with Georgia, these five states offer a useful focus for this analysis.

States Contiguous to Georgia

As stated earlier, applying a tax exemption to transactions involving a trade in is common among states that tax the sale or transfer of motor vehicles, with only three states not offering an exemption. Due to the widespread nature of exemptions and the general similarity of the exemptions across the states, this next section will focus on the five contiguous states to Georgia: Alabama, Florida, North Carolina, South Carolina, and Tennessee. All five of these states apply a tax to the sale or title transfer of motor vehicles and have trade in exemptions. This section provides details on how these states tax the sale or transfer of motor vehicles, as well as the trade in exemptions they offer, starting with Alabama and concluding with a comparison of the tax rates consumers face in each state.

Alabama

Alabama imposes a 2 percent tax on the sale of motor vehicles and trailers. The tax includes a trade in exemption.⁴² The way this exemption works is that if someone has a trade in at a dealership, the tax is only applied on the net price of the vehicle after the dealer applies the trade in credit. This means that conducting a trade in reduces the final sales tax paid. There are also certain types of title transfers that are not taxed because this tax is a sales tax and not a title transfer tax like Georgia's. As a sales tax, the tax can only be applied when there is a "sale" of a vehicle for compensation.⁴³ This means that the tax in effect exempts vehicle title transfers where no money, goods, or services are exchanged. For example, a gift to a family member where no money or trade was taken, is exempted. Transfers that fall under this category include raffle winnings, inheritance, divorce transfers, repossessions, transfers as part of an insurance settlement, and donations to non-profit organizations.⁴⁴

⁴⁰ Emerald Coast Regional Council. *2045 Florida-Alabama Transportation ...*, Emerald Coast Regional Council, [www.ecrc.org/document_center/Programs/Florida Alabama TPO/2045 Plan/LINK_2045 FL-AL TPO 2045 L RTP \(8.5x11\)_v6.pdf](http://www.ecrc.org/document_center/Programs/Florida%20Alabama%20TPO/2045%20Plan/LINK_2045%20FL-AL%20TPO%202045%20L RTP%20(8.5x11)_v6.pdf). Accessed 3 Nov. 2025.

⁴¹ The Eastern Transportation Coalition, August 13, 2025, <https://tetcoalition.org/>

⁴² "Automotive Sales, Use & Lease Tax Guide" (Montgomery, Alabama: Alabama Department of Revenue, February 2025).

⁴³ AL Code § 40-23-2 (4)

⁴⁴ "Automotive Sales, Use & Lease Tax Guide." (Alabama Department of Revenue).

Other exemptions also exist. Dealerships that withdraw inventory for use by employees within the dealership as part of regular business operations are only charged a \$5 annual fee.⁴⁵ There are also exemptions for vehicles that will be registered or titled outside of Alabama.

Florida

Florida imposes a 6 percent sales tax on motor vehicles sold or leased within the state.⁴⁶ The tax does include a trade in exemption. There is an exemption because the tax due is calculated based on the sale price of the vehicle less any trade in value. This means that trading in a vehicle reduces the final tax amount. This tax allows for a local option discretionary surtax, but it only applies to the first \$ 5,000 of the sales price.⁴⁷ Like Alabama, this tax is a sales tax, meaning that gifts without compensation, such as money, goods, or services, are not subject to the tax. An example of gifts without compensation is inheriting a vehicle. However, transfers without consideration between corporations and individuals, partnerships, other corporations, or vice versa, are considered taxable events and are subject to the tax.⁴⁸

There are multiple full or partial exemptions to the tax that do not interact with the trade in exemption. Full exemptions apply to purchases by dealers for resale or rental, purchases to be delivered outside of Florida, and purchases by any organization qualified for a Florida *Consumers Certificate of Exemption*. Qualified organizations include 501(c)(3)s, community cemeteries, volunteer fire departments, credit unions, schools, colleges, veterans' organizations, political subdivisions, religious institutions, and library cooperatives.⁴⁹ Partial exemptions apply to purchases made by residents of other states with a lower sales tax than Florida, as well as to commercial vehicles engaged in interstate commerce as common carriers.⁵⁰ For purchases to other states, a purchaser must provide a notarized form, and then Florida sets the rate to the lower of the two rates, and also exempts the purchase from local taxes.⁵¹ Florida uses the ratio of actual miles traveled in Florida to pro-rate the partial exemption for commercial vehicles.⁵²

⁴⁵ AL Code § 40-23-2 (4)

⁴⁶ "Sales and Use Tax on Motor Vehicles," (Florida: Florida Department of Revenue, 2022).

https://floridarevenue.com/Forms_library/current/brochure/gt800030.pdf.

⁴⁷ "Sales and Use Tax on Motor Vehicles." (Florida Department of Revenue).

⁴⁸ Rule 12A-1.007(25), Florida Administrative Code

⁴⁹ "Application for a Consumer's Certificate of Exemption Instructions" (Tallahassee: Florida Department of Revenue, October 2025).

⁵⁰ "Application for a Consumer's Certificate of Exemption Instructions." Florida Department of Revenue.

⁵¹ "Application for a Consumer's Certificate of Exemption Instructions." Florida Department of Revenue.

⁵² Florida Statute 212.08

North Carolina

The tax North Carolina applies to the transfer of motor vehicles is the Highway Use Tax. This tax applies to the title transfer, lease, or long-term rental of motor vehicles and is only applicable at car dealerships. The tax applied is calculated as 3 percent of the price of the vehicle, less than any credit the consumer receives for a trade in. The result is that the tax has a trade in exemption, as the tax amount is reduced if a trade in is made. Like Georgia, this tax replaces the state sales tax, and its rate is entirely controlled by the state.⁵³ This means that the rate is the same across the entire state and that local jurisdictions are unable to modify it.

The North Carolina Highway Use Tax has exemptions for vehicle title transfers, except for the trade in exemption. These exemptions include full exemptions for transfers for resale, insurance acquisitions of salvage titles, gifts between family members, transfers in divorce proceedings, transfers to volunteer fire departments, transfers to North Carolina and its subsidiaries, and transfers between a revocable trust and the owner who is the sole beneficiary of the trust.⁵⁴ There is also a partial exemption for commercial vehicles. This partial exemption works by capping the tax at \$2,000.⁵⁵

South Carolina

South Carolina imposes a 5 percent Infrastructure Maintenance Fee on the sale or lease of motor vehicles to be titled in South Carolina.⁵⁶ Although it is called a fee and not a tax, it works much like a sales tax. The fee is calculated based on the sales price of the vehicle, less any trade in value, and therefore has a trade in exemption that works similarly to those in other states. This Infrastructure Maintenance Fee is capped at \$500 and exempts the vehicle from other South Carolina sales taxes and local sales taxes.⁵⁷

There are also other exemptions to the South Carolina Infrastructure Maintenance Fee that do not involve a trade in. These exemptions include loaner vehicles, vehicles weighing more than 16,000 pounds, donations to drivers' education programs, inheritance, gifts to non-profit organizations, gifts between family members, sale for resale or rental, donations to museums, purchases by the federal government, South Carolina and its political subdivisions, divorce transfers, and transfers because of a merger.⁵⁸ While vehicles weighing 16,000 pounds are exempt from the Infrastructure Maintenance Fee, they are instead subject to a biannual tax based on their weight.⁵⁹

⁵³ Issue brief, *NC FIRST Brief 3: Highway Use Tax (Updated for FY 2020)* (North Carolina Department of Transportation, September 18, 2020), ncdot.gov/ncfirst.

⁵⁴ "Exemptions from Highway-Use Tax," Official NCDMV, October 18, 2018, <https://www.ncdot.gov/dmv/title-registration/taxes/Pages/exemptions.aspx>.

⁵⁵ "Taxes," Official NCDMV: Vehicle, April 29, 2020, <https://www.ncdot.gov/dmv/title-registration/taxes/Pages/default.aspx>.

⁵⁶ "Chapter 10: Maximum Tax Items." Essay. In *Sales and Use Tax Manuals*. Accessed October 24, 2025. <https://dor.sc.gov/policy/policy-manuals>.

⁵⁷ "Chapter 10: Maximum Tax Items." *Sales and Use Tax Manuals*.

⁵⁸ SC Code § 12-36-90

⁵⁹ SC Code § 56-3-660

Tennessee

Tennessee imposes a 7 percent tax on the sale, lease, or rental of motor vehicles.⁶⁰ The tax has a trade in exemption.⁶¹ As a sales tax, local rates can also apply. There are some limits on the amount that local authorities can tax. The way this works is that the local sales tax rate is only applicable to the first \$1,600 of the vehicle; then, the next \$1,600 is subject to a 2.75 percent single article tax.⁶² This means that the state collects revenue equal to 7 percent of the price of the vehicle (minus the trade in exemption), but local authorities can only collect revenue from the first \$3,200. The limited amount that local jurisdictions can apply tax to means that only the first \$3,200 is subject to tax rates above the state rate of 7 percent.

Tennessee has other non-trade in exemptions for the sales tax on motor vehicles. These exemptions include sales due to company liquidation, transfers between family members, transfers in divorce proceedings, gifts without consideration, insurance lease settlements, active-duty military personnel, and vehicles used as a common carrier. For a vehicle used as a common carrier to be exempt, at least 50 percent of the vehicle's activity must be outside Tennessee.⁶³

Georgia and Contiguous Neighbors Effective Tax Rate Comparison

This segment builds on the similarities in how Georgia and its contiguous states apply tax to the sale or transfer of motor vehicles. All six tax sales or transfers of passenger motor vehicles titled in their respective states and offer some exemptions or rate reductions for commercial vehicles, sales for resale, gifts to family members, and gifts to non-profit organizations.⁶⁴ All six also include a trade in exemption. These similarities mean that the types of transactions for motor vehicles subject to tax are similar across these states, and that the main point of difference between them is the effective tax rate on their motor vehicles.

Building on the conclusion that the statutory tax rate is the primary point of difference, CBAER calculated the final tax paid by consumers for vehicle purchases where the pretax price paid to the dealer is \$20,000, \$40,000, \$60,000, or \$80,000. This illustrates how much Georgia and its neighbors tax vehicles at different price points. The price paid by the consumer is the net price paid after trade in. The rate is calculated as the average sales tax rate for motor vehicles in the state. In Georgia, North Carolina, and South Carolina, the tax on motor vehicles does not permit local surcharges, and the rates are specified in the respective state statutes. The Alabama sales tax on motor vehicles allows for a local and county option, and the final rate is the state rate plus county rate plus local rate. The 3.85 percent rate is the average sales tax rate for motor vehicles across the localities. Florida and Tennessee also allow for local options, and the rate

⁶⁰ TN Code § 67-6-204

⁶¹ "Sales Tax on Motor Vehicles - for County Clerks" (Nashville: Tennessee Department of Revenue, n.d.).

⁶² "Sales Tax on Motor Vehicles - for County Clerks." (Tennessee Department of Revenue).

⁶³ TN Code § 67-6-388, TN Code § 67-6-102(86), TN Code § 67-6-388, TN Code § 67-6-306, TN Code § 67-6-303
Tenn. Code Ann. § 67-6-102(8)(C).],

⁶⁴ TN Code § 67-6-331

presented is from the Tax Foundation’s *Sales and Local Tax Rates Mid-Year 2025*. However, as mentioned earlier in Florida’s and Tennessee’s statute analysis, these states cap the local tax amount and, in the case of Tennessee, add a capped single article tax to motor vehicle transfers.⁶⁵ The results of the calculations for the final tax amount on vehicles at the mentioned prices are presented in Table 5 below.

Table 5: Statutory Rates and Contiguous States Taxes due on Transfer

States	Transfer State and Local Tax Rate	Net Price Paid for Vehicle and Tax Amount			
		\$20,000	\$40,000	\$60,000	\$80,000
Georgia	7%	\$1,400	\$2,800	\$4,200	\$5,600
Alabama*	3.9%	\$770	\$1,540	\$2,310	\$3,080
Florida*	7%	\$1,250	\$2,450	\$3,650	\$4,850
North Carolina	3%	\$600	\$1,200	\$1,800	\$2,400
South Carolina	5%	\$500	\$500	\$500	\$500
Tennessee*	9.6%	\$1,488	\$2,888	\$4,288	\$5,688

Source: CBAER analysis, State statutes and Regulations, Tax Foundation

*Separate State and local rates: Alabama 2% state rate and average 1.85% local rate; Florida 6% state rate, average 1% local rate; Tennessee 7% state rate, average local rate 2.6% (applicable only to first \$1,600) and 2.75% rate (applicable only to second \$1,600)

The tax rate in Georgia ranks third among the contiguous states, just behind Florida and Tennessee. The tax rates for the three lowest states; Alabama, North Carolina, and South Carolina are significantly lower than those in the top three.

After calculating the final tax amount according to the statutes in each state, the ranking of Georgia among its peers changes. With the local caps in place for Florida and Tennessee, Georgia now has the second-highest sales tax amount, only slightly behind Tennessee. For vehicles where consumers paid \$20,000, the tax amount in Georgia is \$1,400. In Tennessee, it is \$1,488, only \$88 more. This is due to the caps on taxable value for localities and for the single article tax.⁶⁶ The tax amount in Florida is now lower than in Georgia. This difference ranges from \$149 lower for vehicles with a net sales price of \$20,000 to \$749 for those with a net sales price of \$80,000. The state with the lowest sales tax amount is South Carolina, as the sales tax collected for any car with a net price greater than \$10,000 is limited to \$500 due to the cap of \$500 and a 5 percent rate.

The higher rate in Georgia, combined with the generally few total exemptions mentioned earlier, suggests that the sales tax amount on vehicle purchases ranks among the highest in the contiguous states. Only Tennessee can result in higher amounts, although for some transfers, such as gifts to family members, Tennessee imposes no tax, whereas Georgia would apply a very small tax.

⁶⁵ “Sales Tax on Motor Vehicles - for County Clerks.” (Tennessee Department of Revenue).

⁶⁶ “Sales Tax on Motor Vehicles - for County Clerks.” (Tennessee Department of Revenue).

Economic Impact Section

This section includes three analyses of economic activity related to the TAVT exemption on trade ins when a new or used car is purchased. The first is an economic impact analysis based on the total monetary value that could be disrupted by adding a tax on trade ins. The years analyzed cover 2025-2029. Next, CBAER performed an alternative use analysis scenario in which the trade in exemption ends, taxes are collected, and these funds are added to the state's general fund. The section concludes with a 'but for' analysis that assesses the potential impact that changing the TAVT trade in exemption could have on new and used car purchasing.

To perform the economic impact analysis, CBAER utilized the input/output model IMPLAN for the commodity impact in the automobile sector. It uses four variables to describe the economic contribution made by the trade in exemption. The variables are output, value added, labor income, and employment. The output variable encompasses the value of industry production, including net sales and inventory changes, estimated using annual production estimators embedded in IMPLAN.⁶⁷ Value added is the total value that is added to the economy and is similar to gross domestic product. It excludes intermediate goods, as these are categorized as part of the output by IMPLAN to track how transactions flow through the economy. Intermediate goods include goods and services consumed or purchased from other industries or imported from outside the target area.⁶⁸ Next is labor income, which includes both employee wages and benefits. The last variable is employment. This includes all full-time, part-time, and temporary labor.⁶⁹

The IMPLAN model generates three components that collectively represent the total impact. The first is direct employment or spending related to the industry. Next, the indirect transactions that cover business-to-business spending include many different types of items that are purchased locally, such as the replacement of input goods, uniforms, safety equipment, etc. The third is the induced transactions, which cover consumer-to-business transactions. When employees use their earnings to purchase homes, cars, groceries, medical care, and other necessities, an induced transaction occurs. Together, all three components are combined and are calculated for each of the four variables described above to equal the total impact.

Economic Impact Analysis

This section examines the economic impact of eliminating the exemption for the trade in value of the car. When the exemption is removed, the customer will pay a higher cost for the new vehicle, which will have an impact on the total revenues realized by the dealer. CBAER

⁶⁷ "Output," Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009668388-Output>.

⁶⁸ Candi Clouse, "Value Added," Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009498847-Value-Added>.

⁶⁹ Candi Clouse, "Employment," Implan, June 27, 2017, <https://support.implan.com/hc/en-us/articles/115009668668-Employment>.

calculated and used the decrease in industry revenue from the removal of the exemption to perform an economic impact analysis using IMPLAN. To estimate the potential change in economic activity, CBAER used a price elasticity of demand calculation, which measures the change in consumer demand resulting from a price increase of a good or service.⁷⁰ By using this calculation, CBAER assumes that the change in pricing will be passed on to new or used vehicle buyers.⁷¹ For more information on how CBAER utilized price elasticity and its implications, please refer to the “but for” analysis section below. The price elasticity factor used was -0.34, indicating that the vehicle market is inelastic, as it is less sensitive to changes in pricing.

The input data used in the IMPLAN analysis is displayed in Table 6. The TAVT is calculated on the total net price under the current law. In total, the purchasers, including a trade in, are estimated to pay \$568.74 million in TAVT in 2025. If trade ins were taxed at the standard seven percent rate, the amount paid would increase by \$368.61 million in 2025. It is this amount of additional revenue that CBAER is using as the starting point for analyzing the cost incurred by removing the exemption. Finally, the price elasticity figure of -0.34 was applied to the additional revenue to yield an initial potential economic impact of the exemption in 2025 of \$125.33 million. The additional revenue is the amount of the effective price increase to the customer.

Table 6: TAVT Revenue and Impact With and Without Exemption*

Year	Current Law With Exemption		After Removal of Exemption	
	Total Net Purchase Price	Total TAVT Collection	Trade in TAVT Revenue	Potential Change in State Taxable Revenue
2025	\$8,124.84	\$568.74	\$368.61	\$125.33
2026	\$8,244.38	\$577.11	\$373.91	\$127.13
2027	\$8,403.74	\$588.26	\$381.35	\$129.66
2028	\$8,598.74	\$601.91	\$390.47	\$132.76
2029	\$8,792.13	\$615.45	\$399.57	\$135.85

Source: CBAER Analysis, *Dollars in Millions

The potential change in state taxable revenue is the category that was used as input data in the analysis. This is the economic activity that the state economy could affect if the trade ins were taxable. It is well below the total net cost purchase price with exemption, which is the total amount of the vehicle purchase in Georgia if trade ins are not subject to tax. The total TVAT collection was not used in the IMPLAN impact because trade ins are an important aspect of the automobile dealers industry, and are not completely linked to the exemption. A discussion of these factors is presented in the assessment of the provision section later in this report.

⁷⁰ Stefanie Stancheva, “Lecture 3: Tax Incidence and Efficiency Costs of Taxation,” Tax Incidence, 2017, <https://scholar.harvard.edu/files/stancheva/files/lecture3.pdf>.

⁷¹ Lea B. Kirschner and Benjamin I. Jordan, “Georgia Automobile Dealers Association Comment on Tax Incentive Feedback Vehicle Trade-in Exemption” (Atlanta, June 17, 2025).

The impact analysis measures the total effect that the removal of the exemption would have in Georgia once this impact has been fully felt throughout the economy. Table 7 presents the impact of removing the exemption for the year 2025.

Table 7: Economic Impact of TAVT Exemption 2025*

Impact	Output	Value Added	Labor Income	Employment
Direct	\$125.33	\$26.02	\$8.18	78
Indirect	\$56.86	\$28.68	\$14.80	186
Induced	\$19.59	\$12.14	\$6.13	108
Total	\$201.78	\$66.84	\$29.11	372

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

In 2025, the direct output impact of the exemption is \$125.33 million. Indirect and Induced effects add \$56.86 million and \$19.59 million to the direct impact, respectively. When combined, the total output impact is \$201.78 million. The change in output leads to a change in value-added. The direct impact reaches \$26.02 million, and the total increases to \$66.84 million once indirect (business-to-business) and induced (business-to-consumer) transactions are added. The exemption also supports employment. Direct spending related to the exemption supports 78 jobs with a direct labor income of \$8.18 million. With indirect and induced effects included, the total employment impact increases to 372 jobs, resulting in a combined labor income of \$29.11 million.

The direct value of the exemption does increase over the analyzed timeframe. Table 8 presents the economic impact of the exemption in the final year of this analysis, 2029.

Table 8: Economic Impact Without TAVT Exemption 2029*

Impact	Output	Value Added	Labor Income	Employment
Direct	\$135.86	\$28.21	\$8.86	85
Indirect	\$61.63	\$31.09	\$16.04	202
Induced	\$21.24	\$13.15	\$6.64	117
Total	\$218.73	\$72.45	\$31.54	404

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

The direct output impact of the exemption in 2029 is \$135.86 million. The indirect output and induced output impacts are \$61.63 million and \$21.24 million, respectively, which brings the total to \$218.73 million. Next, the value added is the direct impact of \$28.21 million, and this reaches \$72.45 million in total value once the indirect and induced impacts are added. As in 2025, the exemption in 2029 would support employment. Direct spending resulting from the exemption would support 85 jobs with a total direct labor income of \$8.86 million. Additional spending resulting from the exemption would also support 202 indirect and 117 induced jobs. In total, the employment supported by the exemption would be 404 jobs with a combined labor income of \$31.54 million.

Alternative Use Analysis

This subsection presents an alternate use analysis that estimates the amount of economic activity that would be supported if the state were to remove the exemption. The forgone revenue would be allocated to the general fund. The state TAVT forgone revenue used in this section would be collected if the total trade in value were taxed. A complete explanation of the state forgone revenue is available in the Tax Provision Background Information section. Table 9 presents the economic impact of the alternative use of this revenue by the state in 2025.

Table 9: Alternative Use Analysis 2025 Economic Impact*

Impact	Output	Value Added	Labor Income	Employment
Direct	\$129.01	\$26.79	\$8.42	81
Indirect	\$58.53	\$29.52	\$15.24	192
Induced	\$20.17	\$12.49	\$6.31	111
Total	\$207.72	\$68.80	\$29.96	383

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

If the state were to receive the forgone revenue linked to the exemption and spend the funds consistent with FY 2026 appropriations, the spending would be expected to support 81 direct jobs with a labor income of \$8.42 million. After including indirect and induced effects, the total employment supported increases to 383 jobs. The spending of the revenue is expected to increase the direct value added to the state economy by \$26.79 million. Once indirect and induced effects are added, the total value-added impact reaches \$66.80 million.

Next, CBAER estimated the amount of new tax collections for both state and local governments from the alternate use activities for the fiscal year 2025.

Table 10: Total New State and Local Alternative Use Tax*

Category	State Tax	Local Tax
Property Taxes	\$0.00	\$0.40
Georgia Income Tax	\$1.17	\$0.00
Sales Taxes	\$0.23	\$0.20
Georgia All Other Taxes	\$0.38	\$0.00
Total State and Local Tax	\$1.78	\$0.60

Source: IMPLAN and CBAER Analysis

*Dollars in Millions

Based on the alternate use economic impact analysis, the total new state tax collection would be \$1.78 million in 2025, with an additional \$400,000 in local property tax collections and \$200,000 in local sales taxes. The tax collection linked to this analysis is based on the secondary impact of individuals paying state and local taxes on their income from alternative use activities. The largest category for state government in terms of new revenue is the income tax estimate of \$1.17 (65.4 percent of the total). The local tax collections are primarily comprised of property taxes, which account for 66.4 percent of the total local tax estimate.

But For Analysis

If Georgia removes the trade in tax exemption, consumers will not get a reduction in value on their trade in without paying a tax. This means that consumers will likely face higher prices on vehicles. Table 11 displays the average trade in credit and the average amount of exempted tax.

Table 11: Average Increase in 2024 TAVT Tax without Exemption.

Average Trade in Credit 2024	TAVT Rate	Average Tax Increase
\$17,046	7%	\$1,193

Source: DOR, CBAER Analysis

In 2024, the average trade in value in Georgia was \$17,046. for both new and used vehicles sold that involve a trade in. In the United States, 49 percent of new vehicle transactions and 31 percent of used vehicle transactions include a trade in.⁷² Georgia's current TAVT rate is 7 percent, so without the exemption, buyers would pay an average \$1,193 more in taxes. This means that the average price of a car would go up by the same amount (\$1,193).

The decrease in consumers' spending on vehicles can be measured using price elasticities of demand. Price elasticities of demand measure the change in demand for goods and services when their price changes. Elasticities are commonly described as either elastic or inelastic. An elasticity has an absolute value greater than one and indicates that consumers are sensitive to price changes. In contrast, inelastic elasticities have an absolute value less than one, meaning that consumers do not change their spending significantly when the price changes. For example, a price elasticity of demand for vehicles with a value of -0.34 is inelastic and indicates that for every 1 percent rise in price in vehicles, demand for vehicles falls by 0.34 percent in response. This means that demand changes more slowly than price changes.

CBAER found, from a literature review on demand for new vehicles, that the elasticities of demand for the vehicle market are generally inelastic. For example, a 2021 study evaluated the effects of changes on vehicle emissions regulations and estimated the price elasticity of the new vehicle market at - 0.34.⁷³ The Environmental Protection Agency in a 2018 regulatory analysis of fuel economy estimated a similar value of between -0.2 and -0.3.⁷⁴ These elasticity values indicate that consumers exhibit a limited response to changes in vehicle prices across the entire market. Their particular vehicle choice may change, but they still need transportation and may settle for a slightly cheaper option, supporting the observation that the price variance, even when created by a tax that was previously exempt, would not significantly impact consumer purchasing behavior.

⁷²Ivan Drury. "Edmunds Report: Holdout Car Buyers Return to Showrooms in Drove in Q1." Edmunds, www.edmunds.com/car-news/edmunds-used-car-report-q1-2024.html. Accessed 30 Oct. 2025.

⁷³ Benjamin Leard, "Estimating Consumer Substitution between New and Used Passenger Vehicles," RFF.org, 2021, https://media.rff.org/documents/WP_19-01_rev_2021.pdf.

⁷⁴ 1. nhtsa.gov § (2018), [www.nhtsa.gov/sites/nhtsa.gov/files/documents/Id_cafe_my2021-26_pria_0.pdf#:~:text=This Proposed Regulatory Impact Analysis \(PRIA\) has been,](https://www.nhtsa.gov/sites/nhtsa.gov/files/documents/Id_cafe_my2021-26_pria_0.pdf#:~:text=This%20Proposed%20Regulatory%20Impact%20Analysis%20(PRIA)%20has%20been,)trucks for model years (MY) 2021 through 2026.

Fiscal Analysis

The total fiscal impact of the trade in exemption on the state is calculated as the gross forgone state revenue (presented earlier in the Table 4), offset by the increased tax revenue attributable to the economic activity generated by the exemption. Table 12 presents the additional state tax revenues generated by economic activity attributable to the exemption in the years 2025 to 2029.

Table 12: Additional State Tax Revenues from Exemption Activity 2025-2029*

Type of Tax	2025	2026	2027	2028	2029
Sales Taxes	\$1.31	\$1.33	\$1.36	\$1.39	\$1.42
Corporate Profits Taxes	\$0.42	\$0.43	\$0.44	\$0.45	\$0.46
Personal Taxes	\$0.69	\$0.70	\$0.72	\$0.73	\$0.75
Other Taxes	\$0.08	\$0.09	\$0.09	\$0.09	\$0.09
Total Collection	\$2.51	\$2.55	\$2.60	\$2.66	\$2.72

Source: CBAER Analysis using IMPLAN

*Dollars in Millions

State tax collections are estimated to total \$2.51 million in 2025. This tax collection increases continuously to a total of \$2.72 million by 2029. All four categories of tax are projected to increase from 2025 to 2029. This can be seen in sales tax collection increasing from \$1.31 million in 2025 to \$1.42 million in 2029.

Next, CBAER calculated the net fiscal effects to the state of Georgia of not applying the TAVT to trade ins, also described as the trade in exemption. To calculate net forgone revenue, two variables are required. The first is state TAVT forgone revenue, which is the amount of revenue the state of Georgia would have collected if the exemption were removed. It is calculated by applying the TAVT tax rate to the total trade-in value during the 2025 to 2029 period. The complete estimate is presented earlier in the Tax Provision Background Information section. Next, CBAER examines the amount of revenue the state would lose if the policy change is made. Using these two variables, CBAER calculates the net foregone revenue as the difference between these two factors; see Table 13 for details.

Table 13: State Net Fiscal Benefit 2025-2029*

Type of Tax	2025	2026	2027	2028	2029
State TAVT Forgone Revenue	(\$129.01)	(\$130.87)	(\$133.47)	(\$136.67)	(\$139.85)
Total Collection	\$2.51	\$2.55	\$2.60	\$2.66	\$2.72
Net Foregone Revenue	(\$126.50)	(\$128.32)	(\$130.87)	(\$134.01)	(\$137.13)

*Dollars in Millions

In Table 13, the numbers in the parentheses mean there was a loss in revenue for that year. In 2025, the state forgoes \$129.01 million in potential revenue as a result of the exemption, while the state collected a total of \$2.51 million in taxes on the additional tax revenues generated by

the economic activity spurred by the exemption. Overall, the state has a net loss of \$126.50 million. This loss continues throughout the predicted years. In 2029, the forgone state revenue is \$139.85 million, with a total tax collection of \$2.72 million and a net loss to state revenue of \$137.13 million 2029.

Using the total economic impacts presented earlier in the Economic Impact Analysis section and the net fiscal impacts presented in Table 13, CBAER calculated the return on investment (ROI) from the exemption. In 2025, the exemption is linked to \$201.78 million in total output, and the state net forgone revenue for the year is \$126.50 million. When presented as a ratio, this means that for every dollar in TAVT revenue forgone by the state, there is an increase in output of \$1.59 in the economy.

Purpose of the Provision and Outcome Assessment

CBAER estimates that consumer trade ins reduce gross vehicle prices by an average of \$5.41 billion between 2025 and 2029, which averages \$17,644 per new or used vehicle transaction involving a trade in. This means consumer prices are reduced by this amount compared to the sticker price (total gross purchase price) of the vehicle. If these transactions were taxed at the current TAVT rate, average state and local TAVT tax collection over this time period would be \$382.78 million, with the state portion totaling \$133.97 million in tax revenue. Per transaction, the average additional TAVT tax collected on a new or used vehicle transaction using a trade in would be \$1,235 for both state and local government. From this total, the state allocation would amount to \$432 per transaction.

From a consumer perspective, the process of making a trade in and buying a car is faster and easier than selling a car privately. The trade in process is all done at the same time as the acquisition process for the new vehicle and is managed by the same dealer. This includes managing all the paperwork for the vehicle being traded-in.⁷⁵ The consumer is taking less risk in this high-value transaction because the dealer is assuming the financial risk of selecting the right time to sell and the opportunity costs of holding the vehicle before it is sold. Additionally, the consumer is mitigating safety risks from meeting a buyer who is a stranger or attempting to identify potential fraudsters.⁷⁶

From a vehicle dealership viewpoint, trade ins play a major role in operations. In 2025, 49 percent of new vehicle transactions and 31 percent of used vehicle transactions involved a trade in. These are transactions where the trade in was part of the deal and helped to get new vehicles sold and out of inventory.⁷⁷ Generally, dealerships aim to complete a full turnover of inventory every 30 days.⁷⁸ Further, transactions with trade ins represent a source of additional revenue for dealerships. In 2024, the average transaction price (ATP) of a new vehicle that involved a trade in was \$2,357 higher than the ATP for transactions not involving one.⁷⁹ This difference in ATP was even higher for used vehicle purchases, at \$7,049. The implication is that if a dealer can secure more sales that involve a trade in, that dealer can command higher gross profits.⁸⁰

In addition to increasing spending by consumers, there are other revenue-generating opportunities linked to trade ins for dealerships. The sale of trade in vehicles contributes to higher gross profits for dealers because dealers are able to make higher margins on them.⁸¹ For

⁷⁵ "Selling vs. Trading in a Car." *DMV.ORG*, www.dmv.org/buy-sell/selling-your-car/selling-vs-trading-in.php. Accessed 3 Nov. 2025.

⁷⁶ "Car Trade-in Psychology: Why Smart Consumers Choose Convenience over Cash." *TradePending*, 23 Sept. 2025,

⁷⁷ "2025 Automotive Trade-in Market Report: Statistics Every Dealer Needs to Know." *TradePending*.

⁷⁸ Hari Bhushan, "How to Calculate Inventory Turnover for Car Dealerships," *How to Calculate Inventory Turnover for Car Dealerships*, December 10, 2024,

⁷⁹ Ivan Drury. "Edmunds Report."

⁸⁰ "2025 Automotive Trade-in Market Report: Statistics Every Dealer Needs to Know." *TradePending*.

⁸¹ Edmunds, "Where Does the Car Dealer Make Money?," Edmunds, June 13, 2019,

licensed car dealers, used vehicle sales constitute 25 percent of gross profits. Higher sales of used vehicles can also create profits from the service departments of these dealerships, as customers may bring the purchased car back for service.⁸²

Along with the higher gross profits, trade ins provide a substantial percentage of inventory for used vehicle dealers. For example, in the spring of 2022, over 50 percent of used vehicle inventory at dealerships was from customer trade ins.⁸³ Also, when dealers acquire trade ins that they do not want to sell on their lot, they can send these cars to auction. These auctions serve as important sources of used vehicle inventory, especially for independent dealerships, as over 75 percent of their used vehicle inventory was from auctions in 2023.⁸⁴

Outside of the direct effects on dealers and consumers, the trade in exemption could affect the purchase of new vehicles. If the exemption were removed, customers could face higher expenses for choosing to trade in their vehicle. With a higher price, consumers who do not want to try to sell their vehicle privately may instead decide to keep their car for longer and not buy a newer car. This can slow the purchase of new vehicles, which typically have better safety features, more fuel-efficient engines, and lower emissions.⁸⁵

There are three purposes for the trade in exemption. First is equity for taxpayers as the value of the trade in was taxed when the vehicle was originally purchased. As stated earlier, 47 states have a trade in exemption, and public debates in other states have explicitly framed the removal of trade in exemptions as double taxation.⁸⁶ This implies that avoiding double taxation is a common purpose for these exemptions. The second is maintaining revenue collection compared to the system in place before 2013. The implementation of the current exemption appears to result partly from the intention to maintain parity with the sales tax base that existed prior to the TAVT coming into effect. The third factor is supporting economic activity, as new and used vehicle purchases are a source of economic activity. This includes jobs at dealerships, and secondary transactions are another factor increasing the value of the vehicle purchase. Finally, accessing reliable transportation can increase economic mobility and individuals' participation in the economy.

Given the current market use of trade in vehicles, it seems unlikely that a change in tax policy would lead to a significant reduction in economic activity. It could have a marginal effect on sales through a dealer, as some vehicles may become private-party sales, as the exemption likely has some effect on the channeling of vehicles through dealers.

⁸² Edmunds, "Where does the Car Dealer Make Money?"

⁸³ "A Fundamental Post-Pandemic Shift in Used Vehicle Sourcing," vAuto, August 11, 2025,

⁸⁴ Jeremy Beck, "Behind the Numbers Fresh Look at Industry's Metrics Heading Into New Year," *Used Car Dealer Magazine*, February 2024.

⁸⁵ Kirschner, Lea B., and Benjamin I. Jordan. "Georgia Automobile Dealers Association Comment on Tax Incentive Feedback Vehicle Trade-in Exemption."

⁸⁶ Joe Barnas, "Illinois Imposing Car Trade-in Tax on Jan. 1; Dealers Call It Double Taxation," *Illinois Policy*, December 12, 2019,

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