

## **\*\*Important Border Tax Update\*\***

Dear Dealer,

Every four years, Washington, D.C., welcomes an influx of new people and new ideas to the nation's Capital. Some of the resulting legislation and policies have been welcome news for AIADA dealers. At other times we've seen proposals that could severely damage the businesses you work day-in and day-out to build.

For nearly 50 years AIADA has fought to protect dealers' interests in Washington, D.C. This transition period is no different. We anticipate changes will be proposed, both good and bad, for small businesses. On the positive side, entrepreneurs may get some relief from overreaching regulatory agencies and high health care costs under President Trump.

On a less positive note, House Republicans, separate from the president-elect, have included in the House Ways and Means' blueprint for tax reform something called a **Border Adjustment Tax (BAT)**.

### **Here's what you need to know:**

- A BAT is a new consumer tax on all goods or services, including autos and auto parts, coming across our border from all nations, even those with which we have existing trade agreements.
- While no hearings have been held and no official legislative language has been released, the tax likely sits at 20 percent and is crucial to the whole proposal, paying for many of its corporate tax cuts.
- AIADA supports tax simplification, but the impact of a BAT could prove a disaster. Most alarming, the proposal has the support of some powerful legislators, including Speaker Paul Ryan (R-WI). It could also marry well with some of the anti-trade rhetoric President-elect Trump has shared both on the campaign trail and on Twitter, most recently directed at Toyota.

### **Why a BAT is bad for your business and our industry:**

- Auto parts would be subject to a BAT, so even the most American-made vehicle sold in the U.S. today – the Toyota Camry – would be subject to a significant price increase.
- Rising prices will drive away regular Americans looking for a new car and, as a result, vehicle demand will plummet. Both American auto manufacturing plants and retailers like you will feel the pain, and be forced to shed jobs.
- A BAT will set off a chain of reactions that could easily plunge the American economy back into another recession.
- A new consumer tax would be devastating to dealers and your customers who look to you for affordable, safe means of transportation.



As “import” once again becomes a dirty word in Washington, D.C., AIADA is fighting for you. We’re working with a coalition of groups to defend against the BAT proposal and have commissioned a study to illustrate its potential economic impact. We are laying the groundwork for a massive grassroots campaign of concerned manufacturers and dealers.

In addition to sending a letter arguing against a BAT in December, AIADA has been in contact with Republican leaders and members of the House Way and Means Committee, making our concerns heard. The committee has already had a closed-door meeting discussing the proposal, and we expect them to move forward with it in the coming months. The Senate will likely have its own version of tax reform but, to date, hasn’t put forth any proposals.

Please stay in touch with us, and be prepared for a call to action. A BAT is bad for the car business, bad for consumers, and bad for America – and AIADA is going to need your help to stop it.

Cody Lusk  
AIADA President