



## Recent Legislative Accomplishments

### CONGRESS REPEALS FLAWED CFPB AUTO FINANCE GUIDANCE AND PRESERVES DEALER-ASSISTED FINANCING AND CONSUMER DISCOUNTS

Preserving dealer-assisted financing and a dealer's ability to discount credit for consumers is a top legislative priority for NADA. Under the 2010 Dodd-Frank legislation, Congress exempted dealers from the Consumer Financial Protection Bureau's (CFPB) jurisdiction and retained the Federal Trade Commission and Federal Reserve Board as dealers' primary regulators. Despite this exemption, in 2013 the CFPB issued auto finance "guidance" that sought to limit a dealer's ability to discount auto credit for consumers. The CFPB guidance, later determined to be a "rule" by the Government Accountability Office, was issued with no public notice or comment and was based on flawed data and methodology. After passage of bipartisan House legislation in 2015 to overturn the guidance and significant congressional oversight, last year Congress passed NADA-backed legislation, S.J. Res. 57, to revoke the CFPB's guidance and prevent the CFPB from issuing a "substantially similar" rule in the future. President Trump signed this legislation into law on May 21, 2018.

### PROTECTING FULL DEDUCTIBILITY OF FLOOR PLAN INTEREST FOR DEALERS AND OTHER TAX REFORM BENEFITS

In 2017, the original House and Senate tax reform bills disallowed interest deductibility, including floor plan financing, for interest expenses exceeding 30% of adjusted taxable income. This provision could have resulted in many dealers paying increased taxes—even if they did not make a profit. While there were few exclusions, NADA's position prevailed, and Congress preserved 100% deductibility of vehicle floor plan interest on a permanent basis in the final tax reform bill (H.R. 1), which was signed into law in December 2017. NADA also strongly advocated for other dealer tax priorities that were included in H.R. 1, such as doubling the estate tax exemption, preserving the LIFO inventory accounting method, maintaining the deductibility of advertising expenses, adding a new 20% deduction for pass-through income and defeating the proposed border adjustment tax (BAT), which would have raised the price of vehicles.

### PRESERVING STATE MOTOR VEHICLE FRANCHISE LAWS IN SELF-DRIVING CAR LEGISLATION

Last Congress, legislation was introduced to advance self-driving cars that threatened to nullify state dealer franchise laws. As originally drafted, this legislation would have blocked certain state laws to avoid forcing automakers to build different self-driving cars for different states. The bills were also unnecessarily broad and could have voided state vehicle franchise laws as applied to self-driving vehicles. NADA successfully argued that the federal government has historically preempted only state laws that impact vehicle design, construction and safety, and that state vehicle franchise laws provide important consumer protections, competition, local jobs, and state and local tax revenue. Both the House of Representatives and the Senate Commerce, Science, and Transportation Committee passed self-driving vehicle legislation (H.R. 3388 and S. 1885, respectively) which included bipartisan language to ensure that state vehicle franchise laws are not preempted as applied to self-driving cars, but the legislation died at the end of the Congress and may be reintroduced this year. NADA will continue to defend state vehicle franchise laws from federal intrusion.

### FIGHTING REGULATORY OVERREACH REGARDING RECALLS

NADA opposes overly broad vehicle recall bills that would ban dealers from selling or wholesaling a used car under any recall, place unworkable burdens on dealers, and impose significant costs on consumers without providing appreciable safety gains. A J.D. Power study found enactment of such legislation would diminish consumer trade-in value of vehicles by \$1,210 on average. These bills also fail to distinguish between serious and minor recalls. NADA has successfully opposed these overbroad measures over the past few years, and a similar bill, S. 1971, was recently reintroduced. NADA has urged Congress to focus on improving recall completion rates instead of proposals that diminish consumer trade-ins.

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