

**Testimony for House Financial Services Committee**  
**Hearing on Extending TARP to the Auto Industry**

**November 19, 2008**  
**Congressman Bill Pascrell, Jr.**

Thank you, Mr. Chairman for calling the Financial Service Committee together to address the pressing issues facing our nation's auto industry. Thank you also for allowing me to present my testimony before the Committee this morning.

I want to commend you for inviting Mrs. Annette Sykora, Chairman of the National Automobile Dealers Association, to testify before the committee because we need to hear from the dealerships as well as the automaker. Any government intervention to help automakers will not work unless auto dealers are part of the fix. Congress must work to ensure that assistance to automakers stabilizes dealers as well and does not create adverse effects on them. Therefore, we must include dealer representatives in the current discussions.

It is our responsibility to help our struggling auto dealers and retailers which are a vital part of our economy. Already this year, 700 dealerships have closed or are on the brink of shutting down which would mean an additional 37,000 jobs will be lost. The impact of these small business loses will be felt across the country.

Congress must help preserve dealer viability as we consider requests for government intervention to support the ailing auto industry. Specifically, any aid given to the auto industry should accompany specific tax proposals to drive consumer activity at the retail level. I thank Chairman Frank for his bill that seeks to provide bridge funds to get our national automotive industry through this financial credit crisis. The auto industry plays a central role in our economic health and auto sales constitute 20 percent of all retail spending in the United States. Millions of Americans rely on this industry for their livelihood and financial security.

However, we need to go beyond providing direct assistance to the auto industry. We need to offer incentives to get consumers back into dealerships. More needs to be done to boost sales in this industry, otherwise this effort will prove unsuccessful.

This week I plan on introducing the Auto Ownership Tax Assistance bill, bipartisan and bicameral legislation along with Senator Mikulski and Senator Bond, which will help boost ailing car dealerships throughout our nation. This measure will allow new car purchasers to deduct sales tax and interest payments from their purchase through the end of 2009, the same way they can deduct home mortgage interest from their taxes.

Legislation of this sort is of the kind which we have to develop and build support for as part of a larger recovery of our auto industry and economy. This issue is not separate from the current economic crisis – dealerships are located nationwide in all of our cities and townships.

Car dealerships, located throughout the country, currently employ 1.1 million people nationwide. This year alone the auto industry has lost 110,000 jobs.

Also, given that auto sales account for one-fifth of the retail economy, I believe we have to act swiftly to prevent any further decline.

The Auto Ownership Tax Assistance bill helps our economy by both saving jobs and providing relief to consumers. Car dealerships currently employ 1.1 million people nationwide. Already this year, 700 dealerships have closed or are on the brink of shutting down which means an additional 37,000 jobs will be lost immediately.

The Auto Ownership Tax Assistance bill will help consumers as vehicle purchases are most families' biggest investment after their homes. This bill will help American families save about \$1,320 on a \$25,000 car (Dodge Minivan). This legislation will also provide support for state and local governments which is an important measure especially when we consider that states rely on car excise taxes for their infrastructure projects. More car sales mean greater revenue for struggling state and local governments. Moreover, automotive sales generate enormous amounts of tax revenue for state and local governments, many of which are currently facing budgetary shortfalls.

The Auto Ownership Tax Assistance bill is a good stimulus policy particularly because auto sales account for one-fifth of the retail economy. This bill is targeted to loans of up to \$49,500 and is phased out for families making over \$250,000. It also comes at the busiest time of the year for car sales, which is the month of December.

We cannot stand idly by while our unemployment rate continues to escalate. Congress must work to provide imperative assistance and protection to the livelihood of Americans working in the auto industry.

I would like to thank the Chairman and the Financial Service Committee for their diligent attention to this matter and hard work on this urgent issue.