



## Grounding All Recalled Used Vehicles Devalues Consumer Trade-ins *Oppose Overbroad Recall Legislation That Creates a “Trade-in Tax” for Consumers (S. 2956)*

### ISSUE

Sen. Richard Blumenthal (D-Conn.) has reintroduced legislation that would cripple the used-vehicle market by halting a dealer’s sale of used vehicles under any open recall. The bill, S. 2956, is overbroad because most recalls do not require the drastic step of grounding. This bill would effectively create a “trade-in tax” that would instantly devalue a car buyer’s trade-in by grounding recalled vehicles for minor matters, such as a peeling sticker. S. 2956 would also push recalled vehicles into the unregulated private market, making it more difficult to complete recall repairs.

**Congress should oppose overbroad recall legislation and instead support initiatives that improve consumer response to vehicle recall notices and increase recall completion rates.**

### BACKGROUND

Dealers support a 100% recall completion rate. Franchised auto and truck dealers play a vital role in ensuring that recalled vehicles are fixed, since dealers are authorized to complete manufacturer recall repairs. However, dealers cannot repair vehicles until the manufacturer provides the remedy and parts. Often, the manufacturer’s fix is subject to long delays as recalls are frequently announced before sufficient replacement parts are available. In a study from J.D. Power, 33% of all recalled vehicles traded-in took more than 90 days to remedy. Within that category the average delay was 183 days with one example taking 581 days. Even when parts are available, recall work cannot take place unless the vehicle owner responds to a recall notice.

S. 2956 would devalue many consumer trade-ins—making it more difficult for a car buyer to purchase a newer, safer, cleaner vehicle. The bill would also mandate the extreme step of grounding vehicles for minor matters, such as an incorrect phone number in the owner’s manual. A study by J.D. Power found that enactment of S. 2956 would result in an average “trade-in tax” of \$1,264, with some consumer trade-ins suffering devaluations of up to \$13,000. By devaluing trade-ins and not regulating private sales, S. 2956 would incentivize vehicle owners to sell their vehicles in the private market, where almost no safety or consumer protections exist. This legislation would make it less likely that recalled vehicles get fixed, and the bill’s proponents have offered no supporting safety analysis—despite an estimated \$178.6 million annual cost to consumers.

### KEY POINTS

- **S. 2956 would make it more challenging for consumers to trade in their recalled vehicle and afford a newer, safer vehicle.** Due to a lack of replacement parts, it can take months for recalled vehicles to be repaired. Since a used vehicle historically depreciates by an average of 1% - 1.5% per month while sitting idle on a dealer’s lot, this bill would force dealerships to either pay consumers significantly less for trade-ins with open recalls or not accept these trade-ins at all.
- **The legislation has no proportionality as it would ground all recalled vehicles, including those trivial in nature, such as a peeling sticker.** By grounding all recalled vehicles irrespective of the nature of the recall, S. 2956 would diminish a recalled vehicle’s trade-in value by an average of \$1,264. This would harm many car buyers who rely on their trade-in to make a down payment on a newer vehicle.
- **Unrepaired vehicles will be pushed into the unregulated private market.** S. 2956 incentivizes vehicle owners with devalued trade-ins to sell their vehicles in the private market, making it less likely that recall work will be done in a timely manner, if at all.

### STATUS

Sens. Blumenthal (D-Conn.), Ed Markey (D-Mass.), and Elizabeth Warren (D-Mass.) introduced S. 2956 on Sept. 30. There is no companion House bill. **Congress should oppose any recall grounding legislation which creates a “trade-in tax” on millions of consumer trade-ins without even guaranteeing that a single additional recalled vehicle gets fixed.**

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