

April 16, 2025

The Honorable Jim Gray  
Kentucky Transportation Cabinet  
200 Mero Street  
Frankfort, KY 40622

**Re: Kentucky U-Drive-It Program Effects on Consumer Vehicle Leasing**

Dear Secretary Gray,

On behalf of the American Financial Services Association (AFSA), the national trade association for the consumer credit industry, we write to express our concern regarding recent administrative changes to the U-Drive-It program and their unintended effect on the consumer vehicle leasing industry. AFSA's vehicle finance members serve millions of Americans by providing safe, responsible access to transportation, and we respectfully urge the Cabinet to reconsider recent modifications to the U-Drive-It fee and tax system that are creating compliance and operational difficulties for lessors.

AFSA has heard from members regarding several key issues:

**1. Unreconciled U-Drive-It Fees**

Under the new system, annual U-Drive-It fees are being assessed on vehicles no longer in a lessor's inventory due to lease terminations. The previous process allowed for vehicles to be systematically removed by Kentucky upon lease end, ensuring that lessors were only responsible for applicable fees during the actual lease term. The current approach requires the lessor to provide documentation to remove vehicles which lacks that reconciliation, resulting in unnecessary and incorrect fee burdens.

**2. Inability to Remit Post-Termination Taxes Effectively**

Kentucky requires lessors to remit U-Drive-It taxes on post-termination lease charges, such as excess mileage or wear-and-tear fees. Unfortunately, the new system provides no pathway to do so without either:

- Re-adding the vehicle to the lessor's account—triggering a redundant \$15 seat fee—or
- Paying under a different vehicle and including an explanatory note—an approach that is administratively inefficient and non-transparent.

### 3. System Limitations

The updated system lacks essential controls to ensure proper operation and reporting accuracy. Lessors are unable to make necessary data adjustments prior to submission, resulting in inaccurate reporting and unintentional fee liabilities. This rigid system design undermines administrative fairness and contributes to unnecessary compliance burdens.

### 4. Unsupported Inventory Amounts

AFSA members report that vehicle inventory has been changed unilaterally by the Department without sufficient notice or documentation. This results in the assessment of incorrect fees. Moreover, the current process requires lessors to pay disputed fees before initiating a challenge, placing an undue financial and administrative strain on affected parties.

### 5. Recommendation to Charge Fee at Titling

Given the complications with monthly administration of the U-Drive-It fee, AFSA recommends eliminating this fee from the Monthly Usage Tax Return process. Instead, it should be assessed at the time of titling, streamlining compliance and reducing errors and disputes.

These operational challenges have escalated into compliance issues for AFSA members, many of whom are actively seeking solutions but have encountered difficulty securing a dialogue with the Cabinet despite outreach efforts since November 2024. We respectfully request the opportunity to meet with your team to discuss these concerns and propose a practical path forward that ensures compliance without imposing unjustified burdens on lessors.

We appreciate your attention to these pressing concerns and respectfully urge the Cabinet to take swift action in addressing the challenges outlined above. Thank you for considering our comments and questions. If you have any questions or would like to discuss this further, please do not hesitate to contact me at [erayhan@afsamail.org](mailto:erayhan@afsamail.org) or (805) 501-8873 at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Elora Rayhan'. The signature is fluid and cursive, with the first name 'Elora' being more prominent than the last name 'Rayhan'.

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