

**Department of Legislative Services**  
 Maryland General Assembly  
 2001 Session

**FISCAL NOTE**

House Bill 743 (Delegate Klausmeier, *et al.*)  
 Ways and Means

**Vehicle Laws - Exemption from Excise Tax - New Maryland Residents**

This bill exempts State residents who have resided in the State less than 90 days from the vehicle excise tax as a requirement for obtaining a new certificate of title if the vehicle was formerly registered and titled in another state.

**Fiscal Summary**

**State Effect:** Transportation Trust Fund revenues would decrease by at least \$2.2 million in FY 2002. Out-year losses reflect annualization and assume a constant rate of vehicle titlings.

(\$ in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
SF Revenue	(\$2.2)	(\$2.9)	(\$2.9)	(\$2.9)	(\$2.9)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$2.2)	(\$2.9)	(\$2.9)	(\$2.9)	(\$2.9)

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect*

**Local Effect:** Local jurisdictions would lose approximately \$690,500 in FY 2002 and \$920,600 annually thereafter.

**Small Business Effect:** Minimal.

**Analysis**

**Current Law:** If a vehicle was formerly titled and registered in another state and the owner has not been a resident in Maryland for more than 60 days, the owner must pay the difference between the excise tax rate paid in the previous state and the State tax rate

(5%), if the excise tax in the other state was lower. If no tax was paid in the state where the vehicle was previously registered, the owner must pay the full State excise tax. All vehicles are subject to a minimum \$100 tax, including those that paid a higher tax to the state where the vehicle was previously registered.

The only vehicles exempt from the excise tax are those acquired by religious, charitable, or volunteer organizations under Section 501(c) of the Internal Revenue Code, the Department of Human Resources or a local social services department for certain purposes, or a rental vehicle.

Titling tax revenues are irrevocably pledged to the payment of debt service on consolidated transportation bonds. No part of the tax or other funds payable to debt service on the bonds may be repealed, diminished, or applied to any other purpose until the bonds and interest are fully paid or complete provision for payment has been made.

**Background:** The State collected \$604 million in titling tax revenue in fiscal 2000 and is forecasted to collect \$622 million in fiscal 2001. Titling tax revenue makes up approximately 19% of the Transportation Trust Fund.

**State Revenues:** TTF revenues would decline by at least \$2,186,350 in fiscal 2002 (accounting for the October 1 effective date) and \$2,915,360 annually thereafter. The Motor Vehicle Administration (MVA) advises that in fiscal 2000 it processed 25,630 transactions involving out-of-state excise tax credits, which generated a total of \$3,836,000 in excise tax revenues. The State retains 76% of those revenues; the remaining 24% is distributed to the counties and Baltimore City.

The MVA further advises that revenues could decline more, as this estimate does not include vehicle owners who transfer to the State and pay the full excise tax.

**Local Revenues:** The local governments receive 24% of TTF revenues and, therefore, would lose \$690,500 in fiscal 2002 and \$920,600 annually thereafter.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

**Fiscal Note History:** First Reader – March 2, 2001  
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