

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 722 (Delegate A. Washington)
 Ways and Means

Income Tax - Credit for Expense of Registering Qualified Vehicles - Repeal

This bill repeals the income tax credit for the expense of registering in Maryland any tractor-trailer (Class F vehicle) that is titled and registered in the State.

The bill takes effect July 1, 2015, and applies to tax year 2015 and beyond.

Fiscal Summary

State Effect: General fund revenues increase by \$5.0 million in FY 2016 and by \$5.1 million in FY 2017 as a result of repealing the income tax credit for tractor-trailers. Transportation Trust Fund (TTF) revenues increase by \$219,000, of which \$198,000 goes to the State, in FY 2016 and by \$195,000, of which \$177,000 goes to the State, in FY 2017. Higher Education Investment Fund (HEIF) revenues increase by \$80,000 in FY 2016 and FY 2017. The Comptroller’s Office can implement the bill with existing resources.

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$5.0	\$5.1	\$0	\$0	\$0
SF Revenue	\$0.3	\$0.3	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	\$5.3	\$5.4	\$0	\$0	\$0

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

Local Effect: Local highway user revenues increase by \$21,000 in FY 2016 and by \$18,000 in FY 2017. Expenditures are not affected.

Small Business Effect: Minimal. Small businesses that register and title a tractor-trailer in the State may no longer claim an income tax credit of up to \$400 for each qualified vehicle for tax years 2015 and 2016.

Analysis

Current Law/Background: The Budget Reconciliation and Financing Act of 2013 established a nonrefundable \$400 tax credit against the State income tax for the expense of registering in Maryland any tractor-trailer (Class F vehicle) that is titled and registered in the State. The tax credit applies to tax years 2014 through 2016.

For each Class F vehicle, the annual registration fee is based on the maximum gross weight of the vehicle in combination with a trailer or semitrailer. For a maximum gross weight of 40,000 to 60,000 pounds, the annual registration fee is \$21.00 per 1,000 pounds. For a maximum gross weight of 60,001 to 80,000 pounds or more, the fee is \$22.50 per 1,000 pounds.

Exhibit 1 shows the number of Class F vehicles registered in the State from 2010 through 2014.

Exhibit 1
Class F Vehicles Registered in the State
2010-2014

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
12,654	12,904	12,748	13,057	13,124

Source: Maryland Department of Transportation

State Revenues: General fund, TTF, and HEIF revenues increase in fiscal 2016 and 2017 as a result of repealing the income tax credit for registration fees of Class F vehicles. Assuming 25% of the credit is taken against the corporate income tax and a 1% annual increase in Class F vehicles registered in the State, **Exhibit 2** shows the annual increase in State revenues.

Exhibit 2
Estimated Revenue Increase
Fiscal 2016 and 2017

	<u>FY 2016</u>	<u>FY 2017</u>
General Fund	\$5,003,000	\$5,079,000
HEIF	80,000	80,000
TTF	219,000	195,000
<i>State</i>	<i>198,000</i>	<i>177,000</i>
<i>Local</i>	<i>21,000</i>	<i>18,000</i>
Total	\$5,302,000	\$5,354,000

Local Revenues: Local governments receive a portion of corporate income tax revenues to support the construction and maintenance of local roads and other transportation facilities. Under this bill, local highway user revenues increase by \$21,000 in fiscal 2016 and by \$18,000 in fiscal 2017, as shown in Exhibit 2.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 23, 2015
md/jrb

Analysis by: Heather N. Ruby

Direct Inquiries to:
(410) 946-5510
(301) 970-5510