

Department of Legislative Services  
Maryland General Assembly  
2015 Session

FISCAL AND POLICY NOTE  
Revised

House Bill 235 (Delegate Reznik, *et al.*)

Environment and Transportation

Judicial Proceedings

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Vehicle Laws - Manufacturers and Distributors - Sale of Electric or Nonfossil-Fuel Burning Vehicles

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This bill authorizes a vehicle manufacturer or distributor to be licensed as a dealer if (1) the licensee deals only in electric or nonfossil-fuel burning vehicles; (2) no other dealer holds a franchise from the manufacturer or distributor; and (3) there is no cross-ownership between licensees, whereby a licensee – or any entity affiliated with or controlled by a licensee – holds a controlling interest in another licensee or other entity affiliated with or controlled by a licensee. The bill allows for the issuance of only four licenses. Finally, the bill requires the Motor Vehicle Administration (MVA) to adopt regulations to implement the bill.

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Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues increase, likely minimally, beginning as early as FY 2016, from the collection by MVA of additional business license fees. Expenditures are not affected.

**Local Effect:** The bill is not anticipated to materially affect local operations or finances.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:** Generally, a manufacturer or distributor may not sell a new vehicle to a retail buyer. However, a vehicle manufacturer or distributor may be licensed as a dealer if it (1) operates a dealership temporarily and under specified circumstances; (2) operates a dealership in which an independent person has made a significant investment and can reasonably expect to acquire full ownership of the dealership; or (3) is a specified type of

vehicle manufacturer that deals only in Class E (truck) vehicles with a gross weight limit of 10,000 pounds or more.

**Background:** Tesla, an electric car manufacturer, employs a direct sales approach that bypasses the traditional model for selling vehicles through franchised dealers. According to the National Conference of State Legislatures, Maryland is one of several states that have statutes generally prohibiting manufacturers from operating dealerships. Other states, such as New York and Ohio, have enacted laws to allow direct sales locations but only in a limited number of locations.

**State Revenues:** TTF revenues increase minimally, potentially beginning in fiscal 2016, as MVA collects additional vehicle dealer and salesperson license fees. MVA charges annual fees of \$250 per dealer license (regardless of the number of locations) and \$75 per salesperson license. While the number of new dealers is limited to four, the number of associated salespersons cannot be reliably estimated because there is no limit on the number of locations. Regardless, TTF revenues do not appear reasonably likely to reach \$20,000 in any fiscal year between fiscal 2016 and 2020. More significant TTF revenues may eventually accrue in future fiscal years to the extent that the two licensees open more locations to sell electric or nonfossil-fuel burning vehicles.

**Additional Comments:** It is unclear whether the bill allows for the issuance of only four licenses, or whether only four licenses may be held by manufacturers or distributors at one time. Additionally, the bill does not specify the number of dealership locations that may operate under the four licenses.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of Transportation, National Conference of State Legislatures, Department of Legislative Services

**Fiscal Note History:** First Reader - February 17, 2015  
md/ljm Revised - House Third Reader - March 31, 2015  
Revised - Enrolled Bill - April 14, 2015

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