

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

House Bill 648
 Ways and Means

(Delegate Hixson, *et al.*)

Budget and Taxation

Income Tax Credit - Class F Vehicles - Modification and Extension

This bill extends the income tax credit for the cost of registering a tractor-trailer (Class F vehicle) in Maryland. The Motor Vehicle Administration (MVA) can issue in each tax year a maximum of \$10,000 in tax credits to a single taxpayer and a total of \$500,000 in tax credits on a first-come, first-served basis.

The bill takes effect July 1, 2017, and applies to tax years 2017 through 2019.

Fiscal Summary

State Effect: General fund revenues decrease by \$407,300 annually in FY 2018 through 2020. Transportation Trust Fund (TTF) revenues decrease by \$65,700 annually and Higher Education Investment Fund (HEIF) revenues decrease by \$27,000 annually in FY 2018 through 2020. TTF expenditures increase by \$91,500 in FY 2018 due to MVA computer reprogramming costs.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	(\$407,300)	(\$407,300)	(\$407,300)	\$0	\$0
SF Revenue	(\$92,700)	(\$92,700)	(\$92,700)	\$0	\$0
SF Expenditure	\$91,500	\$0	\$0	\$0	\$0
Net Effect	(\$591,500)	(\$500,000)	(\$500,000)	\$0	\$0

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

Local Effect: Local highway user revenues distributed from the corporate income tax decrease by \$6,300 annually in FY 2018 through 2020. Local expenditures are not affected.

Small Business Effect: Small businesses that claim the credit will benefit from the tax credit's three-year extension.

Analysis

Current Law/Background: The Budget Reconciliation and Financing Act of 2013 (Chapter 425) established an income tax credit for the cost of registering in Maryland a tractor-trailer (class F vehicle) that is titled and registered in the State. The tax credit may not exceed \$400 for each qualified vehicle registered or the total tax liability imposed in the tax year. Individuals and corporations may claim the credit in 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 or more, the fee is \$22.50 per 1,000 pounds. According to the Maryland Department of Transportation (MDOT), in fiscal 2016 there were about 14,000 Class F vehicles registered in the State.

The tax credit was contingent upon an increased toll structure at Maryland toll facilities taking effect by September 1, 2013. This contingency was met as the Maryland Transportation Authority (MDTA) increased toll rates systemwide on July 1, 2013. The amount of the increase varied across facilities and depended on a number of factors, including whether the individual had an E-ZPass account and the number of axles of the vehicle. For example, toll rates increased by about one-third for vehicles with five axles at most facilities except for the Bay Bridge and Harry W. Nice Bridge, which both increased by one-half. Effective July 1, 2015, MDTA reduced toll rates systemwide and reduced tolls by other actions, including an increase in certain discounts for E-ZPass customers. These reductions included decreasing, to the previous rate, the toll rates for five-axle vehicles crossing the Bay Bridge. Toll rates for five-axle vehicles remained unchanged at other facilities.

According to the Comptroller's Office, approximately \$700,000 in tax credits were claimed in tax year 2014, the last year of available data.

State Revenues: The bill extends the income tax credit for registering qualified Class F vehicles through tax year 2019. MVA may award in each tax year a maximum of \$500,000 in credits. As a result, general fund revenues decrease by \$407,300 annually in fiscal 2018 through 2020. Over the same period, TTF revenues decrease by \$65,700 annually and HEIF revenues decrease by \$27,000 annually.

This estimate assumes the maximum amount of tax credits will be claimed in each year and that 85% of all eligible credits are claimed on a return with an income tax liability. MDOT estimates that corporations own a little less than 90% of Class F vehicles that are registered in the State.

State Expenditures: MVA advises that it will incur additional expenditures in order to issue tax credit certificates and limit the maximum amount of credits that can be claimed by a taxpayer. As a result, TTF expenditures will increase by \$91,500 in fiscal 2018 due to computer reprogramming costs.

Additional Information

Prior Introductions: None.

Cross File: SB 57 (Senators DeGrange and Kasemeyer) - Budget and Taxation.

Information Source(s): Comptroller's Office; Maryland Department of Transportation; Maryland Transportation Authority; Motor Vehicle Administration; Department of Legislative Services

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