

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1071 (Delegate Crosby, *et al.*)

Environment and Transportation and
Ways and Means

Transportation - Vehicle Titling Fee and Vehicle Excise Tax - Active Duty
Members of the Military

This bill prohibits the Motor Vehicle Administration (MVA) from imposing a new certificate of title fee for a vehicle that is owned by a member of the U.S. Uniformed Services. In order to qualify, the member must (1) be on active duty and have not been a Maryland resident for more than one year or (2) be a Maryland resident who within the last year returned to the State from, or on, active duty. The bill also limits to \$100 the vehicle excise tax that can be imposed under these circumstances. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease beginning in FY 2020 due to a reduction in titling fee and titling tax revenues paid by eligible individuals. TTF expenditures decrease beginning in FY 2020 due to a reduction in local transportation grants.

Local Effect: Local highway user revenues decrease beginning in FY 2020 due to a reduction in titling fee and titling tax revenues. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law/Background:

State Vehicle Excise Tax and Titling Fee

The motor vehicle excise tax is collected on both new and used vehicles sold in the State. The tax is more commonly referred to as a “titling tax,” and it is collected for each certificate of title that is issued for motor vehicles at the time of purchase. The tax must be paid in full before the issuance of the vehicle’s certificate of title. A tax of 6% is generally imposed on the fair market value of the vehicle, less an allowance for a vehicle that is traded in. Generally, for each instance in which a vehicle is titled, the MVA assesses a titling fee of \$100.

Vehicle owners who titled and registered a vehicle in another state can claim a credit against the vehicle excise tax for the difference between the tax paid in the other state and the tax due if the present owner (1) has not been a Maryland resident for more than 60 days or (2) is a member of the U.S. military on active duty and has not been a Maryland resident for more than one year or is a Maryland resident who is a member of the U.S. military and within the last year is returning to the State from, or on, active duty.

Military Residency – Federal Law

The Servicemembers Civil Relief Act (50 U.S.C. App. §§ 501-596) is a federal law that provides military members certain benefits and protections as they enter and serve active duty. Section 571 provides that a servicemember does not lose or acquire residency for the purposes of taxation with respect to the person, personal property, or income of the servicemember by reason of being absent or present in a tax jurisdiction solely in compliance with military orders. For example, a Maryland member of the military who is stationed in California does not establish residency if the individual maintains a permanent residence or is domiciled in Maryland. Conversely, a California military member does not establish residency in Maryland merely because the individual is stationed at a Maryland military base. In addition, the Military Spouses Residency Relief Act extends similar tax treatment to the spouse of a servicemember.

State Vehicle Registration Laws – Active Duty

Vehicle registration rules and fees applicable to active members of the U.S. Uniformed Services vary from state to state. Some do not require active members who are stationed within the state to register a vehicle while others offer special consideration. Maryland does not require active members who are on temporary duty in Maryland to register their vehicle. Active members who establish residency in Maryland are required to register the

vehicle within one year and are eligible for the tax credit for titling taxes paid in another state. Maryland active members who purchase a vehicle in another state while on active duty can register and title the vehicle in Maryland.

In addition, an individual on active duty in another state who purchases and registers a vehicle in another state may also be eligible for the tax credit (for titling taxes paid in another state) upon their return to Maryland, as long as the individual registers the vehicle within one year.

There are currently about 28,000 active military members stationed in Maryland. A recent RAND Corporation analysis estimates that the U.S. Department of Defense moves about one-third of its military servicemembers each year.

State Benefits for Veterans

State tax benefits include a retirement income subtraction for military retirement income, a State income tax credit for wages paid to qualified veterans, real property tax credits for disabled veterans and spouses, a sales tax exemption for purchases made by veterans organizations, and exemptions from the registration fee and titling tax imposed on certain vehicles. In addition, the State provides additional benefits through licensing, business loan, scholarship, mortgage loan, and hiring preference programs. A description of these benefits and information on federal programs and data on the Maryland veteran population can be found in the Department of Legislative Services report *Overview of Services for Veterans*. The report can be found [here](#).

State Revenues: The bill's provisions will apply to both used vehicles previously titled in another state and new vehicles purchased by eligible members of the U.S. Uniformed Services. In order to qualify, the member must (1) be on active duty and have not been a Maryland resident for more than one year or (2) be a Maryland resident who within the last year returned to the State from, or on, active duty. As a result, TTF revenues will decrease beginning in fiscal 2020. The amount of the revenue loss in each year depends on the number of qualifying purchases made in each year and cannot be reliably predicted.

Under current law, active military members who meet the requirements proposed by the bill and previously titled a used vehicle in another state can claim a tax credit for the amount of the difference between the tax paid in the other state and the tax due. MVA does not have data on the number of active military members who title and register a vehicle in another state and claim under current law the tax credit against the vehicle excise tax.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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