

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 1065

(Senator Guzzone)

Budget and Taxation

Environment and Transportation

Motor Vehicles - Registration - Annual Surcharge

This bill establishes an annual surcharge for each zero-emission vehicle (ZEV) and plug-in electric drive vehicle that is not a zero-emission vehicle (PHEV, for purposes of this fiscal and policy note) – consistent with definitions of such vehicles in the Transportation Article. The surcharge is initially set at \$150 and \$122.50, respectively. The surcharge is in addition to the vehicle registration fee otherwise required under State law; additionally, the bill only applies to vehicles subject to registration. The bill also (1) specifies the timing for payment of the surcharge; (2) establishes that, beginning October 1, 2025, the surcharge paid may be adjusted annually, as determined by the Motor Vehicle Administration (MVA), for inflation; (3) requires MVA to refuse to register, renew, or transfer a vehicle’s registration if the owner is assessed the surcharge but fails to pay it (or fails to make installment payments); and (4) requires MVA and the Comptroller to report to specified committees by December 1, 2024.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase by approximately \$9.7 million in FY 2025 and likely by *at least* \$12.9 million in subsequent years, as discussed below. TTF expenditures increase by *at least* \$226,400 in FY 2025 and *at least* \$301,900 in subsequent years for mailing costs and additional credit card processing fees. TTF expenditures also likely further increase by a significant, but indeterminate, amount in FY 2025 for reprogramming costs (not reflected below).

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$9.7	\$12.9	\$12.9	\$12.9	\$12.9
SF Expenditure	\$0.2	\$0.3	\$0.3	\$0.3	\$0.3
Net Effect	\$9.5	\$12.6	\$12.6	\$12.6	\$12.6

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

Local Effect: The bill does not directly affect local finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary: The surcharge assessed may be paid either at the time the annual registration fee is paid or in installments throughout the registration period (as determined by MVA).

By December 1, 2024, MVA and the Comptroller must report to specified committees on recommendations regarding the feasibility of automatically reducing the surcharge for low-income residents.

Current Law:

Zero-emission Vehicles

A “zero-emission vehicle” is any vehicle that (1) is determined by the Secretary of Transportation to be of a type that does not produce any tailpipe or evaporative emissions and (2) has not been altered from the manufacturer’s original specifications. Such vehicles are exempt from mandatory tests and inspections otherwise required for vehicles registered in the State. The Maryland Department of Transportation (MDOT) must adopt regulations necessary to (1) provide for the determination of which vehicles are ZEVs and (2) implement these provisions.

Plug-in Electric Drive Vehicles

A “plug-in electric drive vehicle” is a motor vehicle that (1) is made by a manufacturer; (2) is manufactured primarily for use on public streets, roads, and highways; (3) is rated at no more than 8,500 pounds unloaded gross vehicle weight; (4) has a maximum speed capability of at least 55 miles per hour; and (5) is propelled to a significant extent by an electric motor that draws electricity from a battery that meets specified capacity requirements and is capable of being recharged from an external source of electricity.

Motor Vehicle Registration

Each motor vehicle, trailer, semitrailer, and pole trailer driven on a highway must be registered, subject to limited exceptions. A “motor vehicle” is defined as a vehicle that, unless otherwise specifically exempted, is self-propelled or propelled by electric power obtained from overhead electrical wires and not operated on rails.

Most classes of vehicle are currently registered biennially, although some less common classes are registered on an annual basis. Registration fees also include an annual \$17.00 surcharge that supports emergency medical services in Maryland, with \$14.50 credited to the Maryland Emergency Medical System Operations Fund. The other portion of that surcharge (\$2.50) is reserved for the Maryland Trauma Physician Services Fund.

State Revenues: Based on current vehicle registration data from MDOT, TTF revenues increase by approximately \$9.7 million in fiscal 2025 (which accounts for the bill’s October 1, 2024 effective date) and likely by *at least* \$12.9 million in subsequent years. **Exhibit 1** shows the expected TTF revenues under the bill from fiscal 2025 through 2029 under the assumptions discussed below.

This estimate assumes the total number of ZEV and PHEV registrations remains constant over the forecast period. To the extent the numbers of such vehicles increase, TTF revenues increase further; such a scenario is discussed in greater detail below. This estimate also does not account for an annual adjustment for inflation that may be applied to the surcharge beginning October 1, 2025. TTF revenues increase in the out-years consistent with the inflation adjustments MVA determines to use, if any.

Exhibit 1
Increase in Transportation Trust Fund Revenues under the Bill
Fiscal 2025-2029

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Surcharge Assessed on					
ZEVs	\$7,098,651	\$9,464,868	\$9,464,868	\$9,464,868	\$9,464,868
PHEVs	2,604,553	3,472,738	3,472,738	3,472,738	3,472,738
Total TTF Revenues	\$9,703,204	\$12,937,606	\$12,937,606	\$12,937,606	\$12,937,606

PHEVs: plug-in electric drive vehicles that are not zero-emission vehicles
TTF: Transportation Trust Fund
ZEVs: zero-emission vehicles

Source: Maryland Department of Transportation; Department of Legislative Services

This analysis reflects payment of the surcharge only by ZEV and PHEV owners that are subject to paying a registration fee. It further assumes payment of the annual surcharge *concurrent* with payment of the annual registration fee when it is due. As most vehicles register on a biennial basis and pay two years of annual fees at that time, the annual

surcharge paid under the bill would also be paid for two years at a time. The Department of Legislative Services (DLS) advises, however, that many vehicle owners may opt to pay the surcharge in installments. Most vehicle owners either currently pay \$135 (for vehicles weighing 3,700 pounds or less) or \$187 (for vehicles weighing more than 3,700 pounds) at registration, inclusive of existing surcharges. Accordingly, for many ZEVs subject to the surcharge under the bill, the amount due at registration more than triples – to either \$435 or \$487 for heavier vehicles. For PHEVs, the amount likewise significantly increases (to either \$380 or \$432 for heavier vehicles). Nevertheless, this analysis does not account for any variance in the timing for receipt of revenues that may arise due to registrants opting to pay through installment plans – in part because those plans are yet to be determined by MVA. DLS further advises that, although ongoing, this impact would likely be most pronounced in the first year of collection with more level collections in the out-years. Essentially, any delays in the payment of the surcharge due to installment plans would be mitigated the following year as the bill establishes that installments may be throughout the registration period.

The analysis also does not account for any automatic reduction in the surcharge for low-income owners of electric vehicles that may be implemented in the future.

State Expenditures: As shown in **Exhibit 2**, TTF expenditures are affected in multiple ways. First, because the surcharge is a new fee, additional mailing costs are anticipated in order to raise public awareness that additional charges are due at the time of registration or registration renewal. To send just one notice of the surcharge for each registration due, TTF expenditures increase by approximately \$30,178 on an annualized basis. As this estimate does not factor in additional notices/invoices that may need to be sent in the event a vehicle owner requests an installment plan, DLS advises that TTF expenditures increase by *at least* \$22,633 in fiscal 2025 and *at least* \$30,178 annually thereafter.

Exhibit 2
Increase in Transportation Trust Fund Expenditures under the Bill
Fiscal 2025-2029

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Mailing Costs	\$22,633	\$30,178	\$30,178	\$30,178	\$30,178
Credit Card Fees	203,767	271,690	271,690	271,690	271,690
Quantifiable Total	\$226,401	\$301,868	\$301,868	\$301,868	\$301,868

Note: Numbers may not sum to total due to rounding.

Source: Maryland Department of Transportation; Department of Legislative Services

TTF expenditures further increase for additional credit card processing fees charged, commensurate with the increase in surcharge revenues paid by ZEV and PHEV owners who use credit cards for their transactions. DLS advises that, if approximately 70% of transactions are subject to the credit card processing fee and the average fee paid is 3%, TTF expenditures increase, by approximately \$203,767 in fiscal 2025 and \$271,690 annually thereafter, to pay the credit card processing fees.

MVA advises that it does not currently have an accounts receivable system in place that allows for installment payments as required under the bill. To set up such a system would require an extensive programming effort. While the cost for that system has not yet been quantified, it could be significant – totaling several hundred thousand dollars or even more than \$1.0 million.

Because the bill does not explicitly direct revenues generated from the additional surcharge to the Gasoline and Motor Vehicle Revenue Account (GMVRA), this analysis assumes that local transportation grants from GMVRA are unaffected.

Alternative Scenario Assuming Zero-emission and Plug-in Electric Drive Vehicle Growth

As noted above, this fiscal and policy note assumes a static number of registrations for ZEVs and PHEVs. Federal data suggests that the growth of such vehicles may be significant in future years. *For illustrative purposes only*, assuming the numbers of ZEVs and PHEVs registered in the State increase commensurate with projections developed by the [U.S. Energy Information Administration](#), TTF revenues may increase much more significantly. For example, under one set of assumptions, TTF revenues may increase by as much as \$15.8 million in fiscal 2025 with steady increases over the five-year forecast period. By fiscal 2029, TTF revenues may increase by as much as \$44.8 million.

Also under this alternative scenario, TTF expenditures increase further. As the numbers of vehicles subject to the surcharge increase, both mailing costs and credit card surcharges increase. Specifically, in fiscal 2025, total TTF quantifiable expenditures may increase by \$369,083. By fiscal 2029, TTF quantifiable expenditures may increase by as much \$1.1 million for additional mailing costs and credit card surcharges covered by TTF. Nevertheless, the additional revenues anticipated under this scenario far exceed the additional costs incurred.

Small Business Effect: Any small businesses that own and operate vehicle fleets consisting of ZEVs or PHEVs may be significantly affected by the bill, depending on the number of vehicles owned.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Budget and Management; Department of General Services; Maryland Department of Transportation; U.S. Energy Information Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 29, 2024
rh/ljm Third Reader - March 27, 2024
 Revised - Amendment(s) - March 27, 2024

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