HB 89

Department of Legislative Services

Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 89 (Delegate R. Lewis)
Ways and Means

Income Tax - Credit for Individuals Without Motor Vehicles (One Less Car Act of 2024)

This bill establishes a $1,000 refundable credit against the State income tax for a qualified taxpayer if, for at least six months during the tax year, (1) the qualified taxpayer did not own or lease a motor vehicle and was not listed as an insured on another individual's personal motor vehicle liability insurance policy; and (2) no entity in which the qualified taxpayer or a dependent of the qualified taxpayer holds a controlling interest owned or leased a motor vehicle. The credit is available for tax years 2024 through 2028. **The bill takes effect July 1, 2024, and terminates June 30, 2029.**

Fiscal Summary

State Effect: General fund revenues decrease significantly, potentially by more than $275 million annually, beginning in FY 2025, as discussed below. General fund expenditures increase by $176,200 in FY 2025; future years reflect annualization and ongoing costs. Transportation Trust Fund (TTF) expenditures increase by $200,000 in FY 2025 only.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	$176,200	$204,000	$213,100	$222,500	$232,300
SF Expenditure	$200,000	$0	$0	$0	$0
Net Effect	(-)	(-)	(-)	(-)	(-)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A qualified taxpayer, for purposes of the tax credit, is (1) an individual who is at least age 18 and filing an income tax return with federal adjusted gross income (FAGI) of up to $75,000 or (2) a married couple filing a joint income tax return with FAGI of up to $150,000. A qualified taxpayer may claim the credit regardless of whether the taxpayer is a dependent of another individual for the tax year or whether another individual in the taxpayer's household owned or leased a motor vehicle for more than six months during the tax year.

To claim the credit, a qualified taxpayer must submit with the taxpayer's income tax return a specified statement that indicates that the applicable requirements are satisfied and whether the taxpayer's decision not to own or lease a motor vehicle during the tax year is attributable in any way to the tax credit. On request of the Comptroller, the Motor Vehicle Administration (MVA) must, to the extent possible, provide to the Comptroller any information necessary to verify the information provided by a qualified taxpayer under the bill.

If the credit allowed under the bill exceeds a qualified taxpayer's State income tax for the taxable year, the taxpayer may claim a refund in the amount of the excess or apply the unused credit amount to succeeding tax years until the full amount of the credit is used.

The bill states the intent of the General Assembly that the tax credit assist in meeting the State's ambitious climate goals and reduce greenhouse gas emissions from personal motor vehicles by incentivizing qualified taxpayers to give up a motor vehicle and reward qualified taxpayers for not using a motor vehicle, as specified.

By July 1, 2027, the Comptroller must submit a report to the Senate Budget and Taxation and House Ways and Means committees on the utilization of the tax credit. The Comptroller and MVA must jointly adopt regulations to carry out the bill's provisions.

Current Law: State law does not provide for an income tax credit for individuals without motor vehicles, as contemplated under the bill.

State Revenues: General fund revenues decrease significantly in fiscal 2025 through 2029 due to credits claimed against the personal income tax. The Department of Legislative Services (DLS) estimates that annual general fund revenue losses may exceed $275 million annually, based on an analysis of 2017 National Household Travel Survey data (the latest year for which state-level data is available) on Maryland household vehicles by income level. However, DLS advises that there is considerable uncertainty regarding the number of taxpayers who will be eligible for and ultimately claim the tax credit. Thus, the bill's precise impact on general fund revenues cannot be reliably estimated at this time.

State Expenditures:

Comptroller's Office

The Comptroller's Office advises that additional regular full-time personnel are needed in order to process and audit tax credit claims under the bill. Given the bill's five-year authorization, DLS agrees that regular positions are appropriate. Thus, general fund expenditures increase by $176,205 in fiscal 2025, which reflects a 90-day start-up delay from the bill's July 1, 2024 effective date. This estimate reflects the cost of hiring three full-time revenue examiners and includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Positions	3
Salaries and Fringe Benefits	$154,437
Other Operating Expenses	21,768
Total FY 2025 State Expenditures	**$176,205**

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. After the bill's termination, these positions are assumed to be absorbed within the Comptroller's Office for other duties.

It is assumed that the Comptroller's Office can absorb updates to tax forms within annual tax season changes. However, to the extent that the Comptroller's Office requires additional resources to develop an interface with MVA and/or otherwise audit tax credit claims, general fund expenditures may exceed this estimate in fiscal 2025 and/or future years.

Maryland Department of Transportation

The Maryland Department of Transportation (MDOT) advises that, should the bill necessitate a direct interface between the Comptroller's Office and MVA to facilitate the sharing of vehicle ownership information, one-time costs to build and test such an interface total an estimated $200,000. This analysis assumes that such an interface is necessary and, thus, TTF expenditures increase by $200,000 in fiscal 2025 only.

MDOT further notes that MVA would not be able to provide information as to whether a tax credit claimant who does not have a vehicle registered in their name is listed as an insured driver on another individual's personal motor vehicle liability insurance policy. Thus, verification of tax credit eligibility in such cases is likely unfeasible.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1283 of 2023.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Transportation; Maryland Insurance Administration; Internal Revenue Service; U.S. Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - January 30, 2024
js/jrb

Analysis by: Elizabeth J. Allison

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