

Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE

House Bill 479 (Delegate Edwards, et al.)
Ways and Means

Motor Vehicle Excise Tax - Purchase Price - Trade-In Allowance

This bill provides that the total purchase price used to determine the motor vehicle excise tax be reduced by an allowance for a trade-in. The proposal phases in the reduction as follows: (1) 20% of the allowance in fiscal 1998; (2) 40% of the allowance in fiscal 1999; (3) 60% of the allowance in fiscal 2000; (4) 80% of the allowance in fiscal 2001; and (5) 100% of the allowance in fiscal 2002 and thereafter. The bill is effective July 1, 1997.

Fiscal Summary

State Effect: Titling tax revenues could decrease by \$5.4 million in FY 1998. Future year revenue reductions reflect the phasing in of the trade-in allowance. No effect on expenditures.

| (in millions) | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-----------------|----------|-----------|-----------|-----------|-----------|
| SF Revenues | (\$5.36) | (\$10.72) | (\$16.07) | (\$21.43) | (\$26.79) |
| SF Expenditures | 0 | 0 | 0 | 0 | 0 |
| Net Effect | (\$5.36) | (\$10.72) | (\$16.07) | (\$21.43) | (\$26.79) |

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

Local Effect: Titling tax revenue could decrease by \$846,000 in Baltimore City and by \$846,000 in the counties beginning in FY 1998. No effect on expenditures.

Fiscal Analysis

State Revenues: This bill would reduce special fund revenue to the Transportation Trust Fund. There are an estimated 300,000 new car transactions and 500,000 used car transactions annually. Revenue loss estimates assume that: (1) 180,000 (60%) new car

purchases include trade-ins annually and the average trade-in value is \$3,500; and (2) 150,000 (30%) used car purchases include trade-ins annually and the average trade-in value is \$500.

Based on these assumptions, titling tax revenues would decrease by \$35.25 million on an annualized basis. The bill phases in the trade-in allowance over five years beginning with 20% of the trade-in allowance in fiscal 1998. Thus, titling tax revenue would decrease by an estimated \$7.05 million in fiscal 1998. Titling tax revenue is split 76% to the Transportation Trust Fund and 24% to the counties. Hence, special fund revenue would decrease by \$5.36 million and the local government share of titling tax revenue would decrease by \$1.70 million in fiscal 1998.

The Department of Transportation collateralizes debt with Transportation Trust Fund revenue. Thus, this bill would reduce the aggregate debt level available to the department.

Local Revenues: The local share of titling tax revenue is split 50% to Baltimore City and 50% to the other counties. Thus, Baltimore City and county titling tax revenues could decrease by \$846,000 each, beginning in fiscal 1998.

Information Source(s): Department of Transportation, Department of Fiscal Services

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