

Department of Legislative Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1232 (Delegate Muse. *et al.*)

Ways and Means

---

Vehicle Laws - Dealers - Excise Tax

---

This bill allows licensed vehicle dealers to retain 1.2% of the gross excise tax that dealers collect on all classes of vehicles for the Motor Vehicle Administration (MVA). Under existing law a dealer may retain a portion of the excise tax only on: Class A vehicles (passenger); Class D vehicles (motorcycle); Class G vehicles (travel trailers or camping trailers); and Class M vehicles (multipurpose).

---

Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues would decrease by \$392,700 in FY 1999; future years reflect annualization. TTF's ability to issue debt would be reduced by \$5 million in FY 1999.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	(\$392,700)	(\$487,900)	(\$469,700)	(\$497,000)	(\$541,100)
SF Bond Revenues	(5,000,000)	0	0	0	0
SF Expenditures	0	0	0	0	0
Net Effect	(\$5,392,700)	(\$487,900)	(\$469,700)	(\$497,000)	(\$541,100)

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

**Local Effect:** Local government revenues could decrease by \$165,400 in FY 1999. Expenditures would not be affected.

**Small Business Effect:** Meaningful. To the extent that a licensed dealer collects the excise tax on trucks, the dealer could experience a significant increase in revenues.

---

## **Fiscal Analysis**

**State Effect:** Current law allows licensed dealers to retain 1.2% of the excise tax on behalf of the MVA for titling certain motor vehicles, excluding such vehicles as Class E trucks, Class C ambulances, and Class F truck tractors. Class E trucks represent the vast majority of these additional classes of vehicles. It is estimated that titling tax on Class E trucks represents approximately 13% of all titling revenue. It is further estimated that licensed vehicle dealers process about 90% of all truck sales. Based on revenue forecasts it is expected that titling tax revenues would be approximately \$491 million in fiscal 1999. Accordingly, allowing 1.2% to be retained by dealers on all truck sales would result in a total revenue loss of \$517,000 in fiscal 1999, accounting for the bill's October 1 effective date. Local governments receive 24% of titling tax revenues, so the State loss would be \$392,700. Future year losses are subject to fluctuations in economic conditions and truck sales.

The bill would also affect the Maryland Department of Transportation's (MDOT) ability to issue debt. MDOT leverages revenues dedicated to the TTF by issuing 15-year Consolidated Transportation Bonds. Debt service is payable solely from the trust fund. The issuance of debt is limited by a cap on the maximum debt outstanding and certain debt service coverage tests. If annual operating revenues are decreased as outlined under the legislation, the impact on net revenues would cause coverage to fall below the limits set forth in the agency's six-year forecast. A reduction of approximately \$1 million in projected average annual bond revenue would result over the fiscal 1999-2003 program period. However, debt is only issued in multiples of \$5 million.

Debt service expenditures would also decrease minimally over the fiscal 1999-2003 period. Because the term of the bonds is 15 years, the reduction in debt service expenditures would continue to increase for an additional 10 years beyond 2003 and, at some point, would exceed the additional proceeds of the new debt issued. This is because, at current interest rates, total debt service payments are approximately 150% of the bond indebtedness over the life of the bond.

**Local Revenues:** As noted above, local governments receive 24% of titling tax revenues. In fiscal 1999, local government revenues could decrease by \$124,000 which accounts for the bill's effective date. Future annualized losses would be approximately \$160,000.

**Additional Comments:** MDOT advises that titling tax revenues are irrevocably pledged to the payment of debt service for consolidated transportation bonds, and that this bill could raise legal questions because it may impair the department's contractual obligation to its bondholders.

---

**Information Source(s):** Department of Transportation (Office of Finance, Motor Vehicle

Administration); Department of Legislative Services

**Fiscal Note History:** First Reader - March 2, 1998

Inc

---

Analysis by: Jody J. Minnich

Reviewed by: John Rixey

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 841-3710

(301) 858-3710