

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 1079 (Delegate Palumbo. *et al.*)

Commerce and Government Matters

Vehicle Laws - Required Registration and Certificate of Title - Farm Equipment

This bill requires that owners of farm equipment with an engine capacity of 60-horsepower or greater register with the Motor Vehicle Administration (MVA) and obtain a certificate of title for the equipment. Owners of farm equipment with an engine capacity of less than 60-horsepower have the option of registering the equipment with the MVA.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures could increase by \$744,000 in FY 1999, exclusive of computer programming. Future years reflect annualization and inflation. Indeterminate, but potentially significant, increase in revenues.

(in dollars)	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
SF Revenues	--	--	--	--	--
SF Expenditures	\$744,000	\$835,300	\$865,100	\$896,000	\$928,000
Net Effect	(\$744,000)	(\$835,300)	(\$865,100)	(\$896,000)	(\$928,000)

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

Local Effect: Indeterminate, but potentially significant, increase in revenues.

Small Business Effect: Meaningful.

Fiscal Analysis

State Revenues: Farm equipment is defined as a vehicle that: (1) is designed and adapted only for agricultural, horticultural, or livestock raising operations or for lifting or carrying such a vehicle; (2) is used for splitting firewood; or (3) is silvicultural equipment weighing 62,000 pounds or less. It is estimated that there are approximately 20,000 such vehicles in the State. The vehicle excise tax must be paid on a vehicle before the MVA may issue a

certificate of title for that vehicle. The excise tax is 5% of the fair market value of the vehicle. The market value of farm equipment varies considerably, with some machinery, such as combines, having a market value of as much as \$140,000. Therefore, the revenue increase could be significant.

The MVA would be required to establish a new registration classification for farm equipment. It is not known at what level the registration fee would be set. As a point of reference, the registration fee for Class G farm trailers is between \$6.75 and \$40.50, depending on the weight of the vehicle. Further, the MVA would charge a \$20 certificate of title fee. To the extent that farm equipment is registered and titled, fee revenue would increase.

State Expenditures: TTF expenditures could increase by an estimated \$744,005 in fiscal 1999, which accounts for the bill's October 1, 1998 effective date. This estimate reflects the cost of hiring 20 Quality Assurance Supervisors (QAS) and four Customer Service Representatives (CSR) to: (1) ensure that farm equipment owners are complying with the bill's requirements; (2) process registration application; and (3) issue certificates of title. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- One CSR can process 10,000 registration applications annually;
- One CSR can process 10,000 certificates of title annually; and
- One QAS can oversee compliance for 1,000 farm equipment vehicles annually.

Salaries and Fringe Benefits	\$612,485
One-Time Start-Up Costs	120,720
Operating Expenses	<u>10,800</u>
Total FY 1999 State Expenditures	\$744,005

Future year expenditures reflect: (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

The MVA advises that computer programming expenditures could increase by an estimated \$50,000 to modify the computer programs to accept a new registration and titling class. The Department of Legislative Services (DLS) advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce computer programming costs associated with this bill and other legislation affecting the MVA system. Further, DLS advises that the increased computer expenditure is simply an estimate and the MVA may be able to handle the changes with either less money than it estimates or existing resources.

Local Revenues: Local governments receive 24% of titling tax revenues. Given the number of farm equipment vehicles and the wide range of market prices for such vehicles, the revenue increase could be significant.

Small Business Effect: Currently, farmers are exempt from both the titling tax and the sales tax for farm equipment vehicles. This bill will require farmers to pay the titling tax on farm equipment vehicles with engines that are over 60-horsepower. Depending on the market prices of such vehicles, farmers' expenditures could increase significantly.

Information Source(s): Department of Transportation (Motor Vehicle Administration), Department of Agriculture, Office of Administrative Hearings, Department of Legislative Services

Fiscal Note History: First Reader - March 15, 1998

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