

**Department of Legislative Services**  
Maryland General Assembly  
1999 Session

**FISCAL NOTE**  
**Revised**

Senate Bill 41 (Chairman, Judicial Proceedings Committee)  
(Departmental - Transportation)

Judicial Proceedings

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**Vehicle Laws - Dealers and Title Service Agents - Bond Requirements**

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This departmental bill increases the liability amounts of surety bonds required for those businesses and individuals that apply to the Motor Vehicle Administration (MVA) for new and used vehicle dealer licenses and title service agent licenses. The surety bond amount for those licensed to sell new motor vehicles is increased from \$15,000 to either \$50,000 or \$75,000, depending on the number of new vehicles sold in the preceding year or on a sales estimate for new dealers. The amount for those licensed to sell only used motor vehicles is increased from \$15,000 to either \$25,000 or \$35,000 depending on the number of used vehicles sold in the preceding year or on a sales estimate for new dealers. However, the surety bond amount is not increased for those dealers that sold 250 or fewer used vehicles in the preceding year. Additionally, the amount for those licensed to deal only in trailers or semitrailers is increased from \$1,000 to \$5,000. The bill also increases the surety bond amount for title service agent licensees from \$10,000 to \$25,000.

Further, the bill repeals the MVA's optional payment bond program for manufacturers, distributors, factory branches, dealers, salesmen, and title service agents.

The bill is effective June 1, 1999 and is applicable to all licenses issued or renewed after May 31, 1999.

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**Fiscal Summary**

**State Effect:** Potential minimal decrease in Transportation Trust Fund revenue losses due to the higher level of protection afforded the MVA by the bill's provisions. Increase in Transportation Trust Fund expenditures of \$1,000 for forms and postage in FY 2000 only.

**Local Effect:** None.

**Small Business Effect:** The Department of Transportation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

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## Fiscal Analysis

**State Effect:** Licensed motor vehicle dealers and title service agents are responsible for remitting to the MVA all applicable title fees and excise taxes resulting from their business operations. In recent years, the MVA has experienced losses in title fee and excise tax revenue due to the bankruptcy of dealerships and title service agents. The current surety bond coverage is not sufficient to mitigate many of these losses. Additionally, the optional payment bond program is too underutilized to afford adequate protection. The provisions of the bill will increase the level of protection the MVA has against losses incurred due to such circumstances.

The MVA collected about \$341 million in excise tax revenue in fiscal 1998. While the MVA could not provide exact information on the amount of loss in that same year, it is assumed to be minimal in terms of the total revenue collected.

It is expected to cost approximately \$1,000 for forms and postage to notify new and used vehicle dealers and title service agents of the new requirements. This amount reflects a one-time expense in fiscal 2000 only. The MVA will notify the affected businesses that compliance is required at the time of license renewal.

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**Information Source(s):** Maryland Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

**Fiscal Note History:** First Reader - January 12, 1999  
mld/jr Revised - Senate Third Reader - March 23, 1999  
Revised - Enrolled Bill - May 3, 1999

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