

Department of Legislative Services  
 Maryland General Assembly  
 2000 Session

FISCAL NOTE

House Bill 230 (Delegate Hixson. *et al.*)

Ways and Means

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Vehicle Laws - Excise Tax - Senior Citizen Exemption

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This bill exempts from the vehicle excise tax a vehicle that is owned and operated by an individual who: (1) is at least 71 years of age; and (2) has reported a federal adjusted gross income not in excess of \$60,000 on the most recent income tax return filed by the individual.

The bill is effective July 1, 2000.

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Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues could decrease by \$12.2 million in FY 2001. Future years reflect 3% growth. Potential minimal increase in TTF expenditures only in FY 2001 for computer programming.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	(\$12.2)	(\$12.6)	(\$13.0)	(\$13.3)	(\$13.7)
SF Expenditures	-	0	0	0	0
Net Effect	(\$12.2)	(\$12.6)	(\$13.0)	(\$13.3)	(\$13.7)

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

**Local Effect:** Revenues could decrease by \$3.9 million in FY 2001. Future year losses reflect 3% growth.

**Small Business Effect:** None.

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Analysis

**Current Law:** The excise tax, or titling tax as it is often referred to, is paid at the time of application for an original or subsequent title to a vehicle. Applicants pay 5% of the fair market value of the vehicle.

**State Revenues:** In fiscal 1999, there were 27,239 excise tax transactions processed by the Motor Vehicle Administration (MVA) that involved individuals that are 71 years old or older, generating \$20.1 million in total revenue. There are no definitive data available to determine how many of these individuals earn \$60,000 or less. It is assumed, however, that 80% meet the earnings requirement established by the bill. Based on this assumption and a constant level of transactions, total excise revenue could decrease by \$16.1 million in fiscal 2001. Excise tax revenue is split 76% to the TTF and 24% to the counties and Baltimore City. Accordingly, TTF revenue would decrease by \$12.2 in fiscal 2001. Losses in future years would reflect a 3% growth rate.

**State Expenditures:** The MVA advises that computer programming expenditures could increase by an estimated \$40,000 to modify the computer programs to reflect the new exemption. 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 either with less money than it estimates or with existing resources.

**Local Revenues:** As stated above, counties and Baltimore City receive 24% of excise tax revenues. It is estimated that local revenues would decrease by \$3.9 million in fiscal 2001. Losses in future years would reflect a 3% growth rate.

**Additional Comments:** The Department of Transportation 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. DLS observes that two exemptions to the titling tax for certain vehicles have been enacted since 1993.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

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

**Fiscal Note History:** First Reader - February 29, 2000  
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Analysis by: Jody J. Minnich

Direct Inquiries to:  
John Rixey, Coordinating Analyst  
(410) 946-5510  
(301) 970-5510