

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 654 (Delegate Heller)

Ways and Means

Motor Vehicle Excise Tax - Manufacturer's Rebate to Buyer

This bill alters the definition of "fair market value" for the purpose of determining the motor vehicle excise tax for vehicles sold by a licensed dealer. The bill defines it as the total purchase price of any new or used vehicle as certified by the dealer, reduced by the amount of any rebate provided to the buyer by the manufacturer of the vehicle.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could decline by \$4.5 million in FY 2001. Out-years reflect 1% growth. No effect on expenditures.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	(\$4.5)	(\$4.6)	(\$4.6)	(\$4.6)	(\$4.7)
SF Expenditures	0	0	0	0	0
Net Effect	(\$4.5)	(\$4.6)	(\$4.6)	(\$4.6)	(\$4.7)

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

Local Effect: Revenues would decline by \$1.4 million in FY 2001. Out-years reflect 1% growth. No effect on expenditures.

Small Business Effect: None.

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. Fair market value of a vehicle sold by a licensed dealer is

defined as the total purchase price of a new or used vehicle as certified by the dealer.

State Revenues: The bill reduces the purchase price of vehicles by the amount of any manufacturer's rebate. Rebates are only granted from the manufacturer for new vehicles. TTF revenues could decline by an estimated \$4.5 million in fiscal 2001 based on the following facts and assumptions:

- in 1999, 341,935 new vehicles were purchased in Maryland;
- 35% of new car purchasers receive a rebate; and
- the average rebate amount is \$1,000.

In fiscal 2001, it is assumed that about 119,700 buyers of new vehicles will receive rebates. Titling tax revenue associated with the average rebate amount is \$50 per vehicle, resulting in a total revenue loss of approximately \$5.9 million. This estimate reflects the decrease in the amount that the dealers retain for collecting the tax (1.2% of tax). Local governments receive 24% of titling tax revenues, so the State loss would be \$4.5 million in fiscal 2001. Future year losses would reflect a 1% increase in the number of new cars purchased annually.

Local Revenues: As noted above, local governments receive 24% of titling tax revenues. In fiscal 2001, local government revenue could decrease by \$1.4 million. Future year losses would reflect a 1% increase in the number of new cars purchased annually (reductions of about \$1.4 million in fiscal 2002 and 2003; \$1.5 million in fiscal 2004 and 2005).

Additional Comments: The Maryland Department of Transportation (MDOT) collateralizes debt with TTF revenue. The bill would reduce the aggregate debt level available to the department. MDOT advises that it may have to reduce bond sales for the fiscal 2000 through 2005 forecast period to meet its 2.5 bond coverage ratio. It should be noted however, that the department is required by statute to maintain only a 2.0 bond coverage ratio.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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