Department of Legislative Services

Maryland General Assembly
2000 Session

FISCAL NOTE

House Bill 477 (Delegate Billings)
Ways and Means

Motor Carrier Tax - Motor Carrier Weight-Mile Tax

This bill establishes an additional motor carrier tax that is based on operating or registered gross weight and miles of operation in the State and is imposed on each motor carrier who operates or causes the operation of a commercial motor vehicle on a highway in the State. The bill creates a schedule of per mile tax rates based on vehicle weights and the number of axles of commercial vehicles. Further, each motor carrier must keep records that show, for each commercial vehicle, the operating or registered gross vehicle weight and number of miles of operation in the State and must make those records available for inspection by the Comptroller.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF)revenues would increase by $156,112,000 in FY 2001. Other special fund and general fund revenue associated with the motor fuel tax would decrease by $13,800 and $53,000 respectively in FY 2001. General fund expenditures would increase by $393,300 in FY 2001 for personnel. Future years reflect ongoing administrative expenditures and inflation.

(in thousands)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	($53)	($21)	($21)	($22)	($22)
SF Revenues	156,126	157,083	157,070	157,056	157,041
GF Expenditures	393	454	474	496	518
Net Effect	$155,680	$156,608	$156,575	$156,538	$156,501

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

Local Effect: Annual revenues could increase by $66,995,200.

Small Business Effect: Meaningful.

Analysis

Current Law: In 1996, Maryland entered the International Fuel Tax Agreement (IFTA), an agreement among states to unify the reporting of motor fuel used by motor carriers for tax purposes. Intrastate motor carriers pay a road use tax based on the gallons of fuel consumed in the State minus a credit received for fuel purchases in Maryland. Maryland-based interstate motor carriers pay taxes in accordance with IFTA based on taxable miles traveled in each state. Motor carriers register in their base state of operation only and receive only one license and one set of decals.

State Revenues: Because there are no data that definitively reflect the number of miles traveled by each weight class of motor carriers, a precise estimate of revenues cannot be determined. However, an estimate can be generated based on weight data from New York State, one of four states that administer a weight-mile tax, and mileage data from IFTA returns. There are 1.7 million miles traveled on Maryland roads from in-state and out-of-state carriers. The weighted average tax rate in New York is estimated at $0.1325 per mile. Based on this, total revenues generated from the weight-mile tax could be $225,250,000 annually.

Revenues would be distributed to the Gasoline and Motor Vehicle Revenue Account (GMVRA). The GMVRA is a shared revenue account, of which 70%, or $157,675,000, is allocated to the TTF and 30%, or $67,665,000, is allocated to the local jurisdictions.

State Expenditures: The bill would require a reporting, tax collection, and enforcement effort that is separate from the current procedures that the Office of the Comptroller uses to collect the motor carrier tax. Under the IFTA agreement, the Motor Fuel Tax Division is required only to register and enforce tax collection from Maryland based carriers, approximately 6,000 accounts. The bill will require the Motor Fuel Tax Division to expand its procedures to encompass out-of-state carriers. The number of registrants is expected to increase by approximately 46,000 accounts.

General fund expenditures could increase by an estimated $393,300 in fiscal 2001, which accounts for a 90-day start-up delay. This estimate reflects the cost of hiring six external auditors, two internal auditors, and five registration personnel to administer the additional tax. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salaries and Fringe Benefits	$295,100
Operating Expenses	98,200

FY 2001 Personnel Expenditures	**$393,300**

Future year expenditures reflect (1) full salaries with 4.5% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

As part of its enforcement effort, the Motor Fuel Tax Division would issue weight-mile tax decals to all motor carriers that travel in the State. The cost associated with such decals is approximately $206,000 annually. Additional costs of approximately $1.7 million are expected for computer programming to alter the data processing system to accept information on weight-mile tax accounts.

The Comptroller is authorized to retain that portion of motor fuel tax revenues (not motor carrier tax revenue) that will recover the costs to administer the Motor Fuel Tax Division. Accordingly, revenues associated with motor fuel tax revenues will decrease as the Comptroller will retain that which is needed to recover the costs of administering the new motor carrier tax. Motor fuel tax revenue losses for fiscal 2001 are distributed as follows: 0.3% to the Waterway Improvement Fund ($6,898); 0.3% to the Fisheries Research and Development Fund ($6,898); 2.3% to the general fund for Chesapeake Bay-related programs ($52,884); and the remainder to the GMVRA ($2,232,600). Future year reductions would depend on the increased costs associated with administering the tax.

Local Revenues: The GMVRA is distributed 70% to the TTF and 30% to local jurisdictions. Based on the increase in revenues associated with the new tax and the decrease in motor fuel tax revenue associated with the Comptroller's retained funds, it is estimated that net annual revenues distributed to local jurisdictions would be $66,995,200.

Small Business Effect: The tax imposed by the bill would significantly increase operating costs for small trucking businesses and for other businesses that rely heavily on commercial vehicle transportation. Further, the tax will create an additional administrative burden due to expanded record keeping and payment schedules.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Motor Fuel Tax Division), Maryland Department of Transportation, Department of Legislative Services

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jir/jr

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