

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

Senate Bill 378 (Senator Roesser)

Budget and Taxation

Motor Vehicle Titling Tax and Inspection Certificate Requirements - Exemptions

This bill exempts from the motor vehicle excise tax and the Maryland safety inspection requirement a vehicle that is transferred into a written inter vivos trust in which the transferor is the primary beneficiary. The bill also clarifies that a vehicle that is transferred as a result of a statutory merger or consolidation of a corporation and a limited liability company is exempt from the vehicle excise tax if no gain or loss is recognized as a result of the transaction.

Fiscal Summary

State Effect: Because it is assumed that the bill would apply in a limited number of cases, State finances should not be materially affected.

Local Effect: None.

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. Because a trust is a separate entity from the transferor, payment of the excise tax is required for a transfer between the two entities, even if the transferor is the primary beneficiary. By contrast, a vehicle is exempt from the excise tax, upon transfer to the vehicle owner's heir by will or inheritance.

Further, there is no exemption from the Maryland safety inspection requirement upon the transfer of a vehicle from an individual to a trust.

A vehicle transferred as a result of a reorganization as defined by Section 368 of the Internal Revenue Code is exempt from the excise tax. This section of the Internal Revenue Code does not include reorganizations of limited liability companies.

Background: An inter vivos trust is one that is set up during an individual's lifetime. Usually, the purpose of setting up an inter vivos trust is to transfer the benefit of owning assets to certain individuals, such as children, without actually passing control of the assets to them. Inter vivos trusts are particularly useful in accomplishing family tax and financial objectives because, unlike wills, they avoid the probate process.

The transfer of real estate to a revocable trust is exempt from the State transfer tax.

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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