

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE

Senate Bill 569 (Senators Harris and Frosh)

Budget and Taxation

Vehicle Laws - Replacement of Older Vehicles - Excise Tax Rebates

This bill entitles a person to a rebate from the Motor Vehicle Administration (MVA) of a portion of the excise tax paid if: (1) the tax was imposed on a 1994 or newer model year vehicle; and (2) the individual paying the tax provides proof that he/she has transferred a 1980 or older model year vehicle to an automotive dismantler and recycler or scrap processor to be scrapped, dismantled, or destroyed. The amount of the rebate must be equal to the lesser of the amount of tax paid on the newer vehicle or \$300.

A person may not claim another rebate on the same new car or for another vehicle based on the transfer of the same 1980 or older model year vehicle that qualified the person for the initial rebate.

Fiscal Summary

State Effect: If 1% of vehicle owners who dispose of their vehicles to a dismantler or recycler takes advantage of the rebate, Transportation Trust Fund (TTF) revenues would decrease by a maximum of \$360,000. This assumes the maximum rebate amount of \$300. Potential minimal increase in TTF expenditures depending on the need for additional personnel.

Local Effect: Potential decrease in revenue to the extent that excise tax rebates are granted.

Small Business Effect: Minimal.

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.

There are no rebates of the excise tax allowed under current law, although, refunds are made for overpayments of the tax when supported by documentations. In addition, a full or partial repayment is paid when the purchase price (or portion) is refunded or the vehicle is accepted for return by a dealer, manufacturer, factory branch, distributor, or by voluntary agreement.

Background: There are approximately 4 million vehicles registered in the State. An estimated 6% of vehicles are disposed of nationwide each year to dismantlers and recyclers, approximated at 240,000 in Maryland. It is further estimated that there are 200,000 vehicles registered in Maryland that are 1980 or older model year vehicles.

State Fiscal Effect: There is no data to determine how many vehicles that are disposed each year are 1980 or older model year vehicles. A large volume of vehicles may be disposed due to extensive damage from accidents, not from age of the vehicle. Accordingly, no data exists on which to base an estimate of the number of vehicles that could be affected by the bill.

For illustrative purposes only, if 1% of vehicle owners who dispose of their vehicles take advantage of the rebate, TTF revenues would decrease by a maximum of \$360,000. This assumes the maximum rebate amount of \$300.

Depending upon the number of vehicle owners applying for the credit, MVA may need additional resources. It is assumed that one customer service representative could process 18,000 rebate applications in a year. To the extent that the workload reaches such a level, TTF expenditures could increase by \$22,800 in fiscal 2001 for an additional customer service representative. Future year expenditures would be approximately \$33,000 per year and reflect full salaries with 4.5% annual increases and 3% employee turnover; and 1% annual increases in ongoing operating expenses.

The MVA advises that computer programming expenditures could increase by an estimated \$40,000 to modify the computer programs to establish a rebate record keeping system. 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 with either less money than it estimates or existing resources.

Local Revenues: A portion of excise tax revenue is shared with local jurisdictions. To the extent that rebates are granted, local revenues would decrease.

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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