

**Department of Legislative Services**

Maryland General Assembly

2001 Session

**FISCAL NOTE****Revised**

Senate Bill 191

(Senator Middleton, *et al.*)

Budget and Taxation

Ways and Means

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**Motor Homes and Travel Trailers - Vehicle Excise Tax - Definitions**

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This bill reduces the total purchase price of motor homes and travel trailers used to determine the motor vehicle excise tax by the value of a trade-in, subject to certain limits. The value of the trade-in may not exceed the value shown in a national publication of used motor home and travel trailer values adopted for use by the Motor Vehicle Administration (MVA). The bill applies to motor homes and travel trailers which incur tax liability on or after July 1, 2001. However, the bill stipulates that the tax credit for trade-in vehicles is not applicable until any Consolidated Transportation Bonds that were issued by the Maryland Department of Transportation (MDOT) before July 1, 2001 no longer remain outstanding and unpaid, unless there are funds appropriated each year to ensure payment of the principal and interest of such bonds.

The bill also authorizes the Department of Business and Economic Development (DBED) to develop and implement a marketing and tourism plan to promote the use of motor homes and travel trailers in Maryland. In developing the plan, DBED is to cooperate with the Maryland Recreational Vehicle Dealers' Association and other interested trade associations and tourism boards.

The provisions related to providing a credit for trade-in vehicles are effective July 1, 2001, and sunset on June 30, 2004.

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**Fiscal Summary**

**State Effect:** Potential significant decrease in Transportation Trust Fund (TTF) revenue due to the trade-in allowance through FY 2004 (at least \$367,800). The State's share of the revenue loss would be at least \$279,500. Increase in general fund expenditures of up to \$15,000 in FY 2002 only for a marketing and tourism plan to promote the use of motor

homes and travel trailers in Maryland, if necessary.

**Local Effect:** Potential significant decrease in revenue (at least \$88,272) through FY 2004.

**Small Business Effect:** Potential minimal. Potential increase in revenues for licensed recreational vehicle dealers, to the extent that the bill encourages sales through State dealerships.

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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. Fair market value is defined as the total purchase price of any new or used vehicle sold by a licensed dealer. For a used vehicle that is sold by a person other than a licensed dealer and is seven years old or older, the fair market value is the greater of the total purchase price or \$640.

For any other vehicle that is sold by a person other than a licensed dealer the fair market value is: (1) the total purchase price, if the total purchase price is less than \$500 below the retail value of the vehicle as shown in a national publication of used car values; (2) if the total purchase price is \$500 or more below the retail value of the vehicle as shown in a national publication of used car values, the total purchase price if verified by a notarized bill of sale; or (3) if the documentation does not satisfy the MVA, the valuation in the national publication. Further, the total purchase price is the price of a vehicle agreed on by the buyer and the seller with no allowance for a trade-in or other monetary consideration.

**Background:** Some neighboring states (excluding Virginia and the District of Columbia) allow a credit for trade-ins. The recreational vehicle industry believes that creating this exemption for motor homes and travel trailers will reduce the incentive for owners to register vehicles in those states.

The General Assembly approved a somewhat similar bill in 1998 (HB 531, Chapter 483) that excluded the trade-in value from the fair market value of recreational boats, thus lowering the amount of the excise tax levied on the purchase of a boat. The exclusion was recommended by the Marine Economic Development Task Force.

**State Revenues:** There are no records that definitively show the value of trade-ins for all motor homes and travel trailers in the State. There are approximately 10,000 registered motor homes in Maryland. There are no records on the number of travel trailers.

A survey conducted by the Maryland Recreational Vehicle Dealers' Association of 10 of the top 15 recreational vehicle dealers in Maryland (based on sales figures) demonstrates that annual excise tax revenues from the ten dealers is about \$2,196,000 on total sales of \$43,932,000. The value of annual trade-ins to the surveyed dealers is estimated at \$7,356,000. The excise tax revenue that would be lost pursuant to the bill's provisions for the vehicles sold from the ten dealers would be \$367,800. Because there are 23 licensed dealers in the State that sell motor homes and travel trailers, the actual revenue lost due to the bill could be significantly higher.

The MVA advises that the revenue loss could affect MDOT's ability to issue bonds or the bonds' rating.

Titling tax revenue is split 76% to the TTF and 24% to the counties and Baltimore City.

**State Expenditures:** The bill authorizes DBED, in cooperation with the Maryland Recreational Vehicle Dealers' Association and other interested trade associations and tourism boards, to develop and implement a marketing and tourism plan to promote the use of motor homes and travel trailers in Maryland.

DBED advises that the Office of Tourism and Development already markets and promotes outdoor recreation and camping as part of its overall marketing plan. A more comprehensive plan could cost \$15,000 for advertising, brochures, and related expenses in fiscal 2002. DBED advises that any additional costs beyond \$15,000 would be shared with the industry association.

**Local Revenues:** Local governments' share of titling tax revenues is 24% of total revenues. To the extent that titling tax revenues decline, local highway user revenues could decline significantly (at least \$88,272 through fiscal 2004).

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### **Additional Information**

**Prior Introductions:** An identical bill was introduced as HB 1255 during the 2000 session. It passed the House but was not reported from the Senate Budget and Taxation Committee.

**Cross File:** None.

**Information Source(s):** Maryland Department of Transportation (Motor Vehicle Administration), Department of Business and Economic Development, Maryland Recreational Dealers' Association, Department of Legislative Services

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