

**Department of Legislative Services**  
 Maryland General Assembly  
 2002 Session

**FISCAL NOTE**

House Bill 1043 (Eastern Shore Delegation, *et al.*)  
 Ways and Means

**Natural Resources - Vessel Excise Tax - Maximum Tax**

This bill establishes a maximum vessel excise tax of \$10,000 for any vessel.

The bill takes effect July 1, 2002.

**Fiscal Summary**

**State Effect:** Special fund revenue decrease of an estimated \$1.18 million annually from the establishment of a maximum excise tax of \$10,000 per vessel.

(\$ in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
SF Revenue	(\$1.18)	(\$1.18)	(\$1.18)	(\$1.18)	(\$1.18)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$1.18)	(\$1.18)	(\$1.18)	(\$1.18)	(\$1.18)

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

**Local Effect:** Potential decrease in local grant revenues from the Waterway Improvement Fund.

**Small Business Effect:** Potential meaningful.

**Analysis**

**Current Law:** Except under specified conditions, an excise tax is levied at the rate of 5% of the fair market value of a vessel on: (1) the issuance of every original certificate of title required for a vessel; (2) the issuance of every subsequent certificate of title for the sale, resale, or transfer of the vessel; (3) the sale within the State of every other vessel;

and (4) the possession within the State of a vessel purchased outside the State to be used principally in the State. Except for \$225,000 of the amount collected in vessel excise taxes, which is credited to the general fund, revenues from excise taxes, penalties, and interest are paid into the Waterway Improvement Fund.

**Background:** The Waterway Improvement Fund serves the boating public by funding projects that mark channels, clear debris, build and maintain boat facilities, improve bridges that may obstruct boats, and other activities. Financial support from the fund comes primarily from the vessel excise tax and 0.3% of eligible proceeds from Maryland's motor fuel tax. The revenues generated from the vessel excise tax depend largely on boat sales which vary from year to year. Excise tax collections have increased from a low of about \$10.9 million in fiscal 1993 to about \$23.6 million in fiscal 2001.

**State Fiscal Effect:** Special fund revenues into the Waterway Improvement Fund could decrease by \$1,178,575 annually beginning in fiscal 2003 as a result of establishing a maximum excise tax of \$10,000 per vessel. These estimates are based on the average tax collected in 2000 and 2001 that would not have been collected if a \$10,000 per vessel cap existed. The Department of Natural Resources (DNR) advises that in 2000, 345 boats had a purchase price of at least \$200,000, resulting in excise tax collections from those vessels exceeding \$10,000 per vessel. In that year, the excise tax from those boats totaled \$4,338,752; under this bill, DNR would have collected \$3,450,000 (a revenue decrease of \$888,752). In 2001, 424 boats had a purchase price of at least \$200,000, resulting in excise tax collections from those boats of \$5,708,399. Under this bill, DNR would have collected \$4,240,000 (a revenue decrease of \$1,468,399). Legislative Services advises that because boat sales vary from year to year, the impact on special fund revenues could vary from the estimated amount.

**Local Revenues:** Local jurisdictions receive grant revenues from the Waterway Improvement Fund for local waterway improvement projects. To the extent special fund revenues decrease, grants to locals would likely decrease. Any such decrease cannot be reliably estimated at this time.

**Small Business Effect:** Boat manufacturers and dealers could benefit to the extent that the bill results in an increase in sales of high end boats. By capping the excise tax, the bill also could attract additional owners of high end boats from other states to Maryland. In addition, an unknown number of small businesses are used by DNR and local governments to plan, design, and build waterway improvement projects. To the extent that the bill results in a decrease in the number of such projects undertaken, those small businesses could be affected.

**Additional Comments:** The proposed Budget Reconciliation Act of 2002, (SB 323/HB 424), transfers \$8 million from the Waterway Improvement Fund to the general fund in fiscal 2002. DNR plans to cancel \$4 million worth of projects if the transfer is made.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Natural Resources, Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2002  
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