

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 561 (Senator Middleton)
 Judicial Proceedings

Vehicle Laws - Off-Highway Vehicles - Titling and Registration

This bill creates an Off-Highway Vehicle Fund in the Department of Natural Resources (DNR) to support building and maintaining trails for off-highway vehicles and authorizes certain exemptions and requirements for those vehicles.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would increase by an estimated \$2.4 million from titling fees and vehicle excise tax in FY 2004. Annual revenues reflect annualization, growth in OHV sales, and the biennial registration cycle. Special fund revenues for the Off-Highway Vehicle Fund could increase by as much as \$319,000 in FY 2004 from registration fee revenues. TTF expenditures associated with implementing the bill will be approximately \$56,900 in FY 2004. Special fund revenues and expenditures are expected to increase at a faster rate beginning in FY 2009 when all OHVs must be titled and registered.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$2,742,900	\$3,746,200	\$4,292,300	\$4,611,800	\$5,181,700
SF Expenditure	56,900	72,600	76,600	81,100	104,400
Net Effect	\$2,686,000	\$3,673,600	\$4,215,700	\$4,530,700	\$5,077,300

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

Local Effect: Local government revenues would increase by an estimated \$609,525 in FY 2004 due to the additional number of vehicles estimated to be subject to the titling tax. Annual revenues will increase according to the growth of new vehicle sales.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill creates a nonlapsing special fund to build and maintain trails for off-highway vehicles and directs the Secretary of Natural Resources to administer the fund. The bill describes procedures for investing and administering the fund and requires any fund expenditures to be made in accordance with the State budget. The fund consists of any fees and revenues collected by DNR, revenues from off-highway vehicle registration fees, investment earnings, money appropriated to the fund in the State budget, gifts, contributions, and grants.

An off-highway vehicle (OHV) is defined as a self-propelled vehicle that: (1) has a dry weight of up to 1,000 pounds; (2) travels on at least three low-pressure tires; (3) is designed to carry only the driver on a seat or saddle designed to be straddled; and (4) is commonly known as an all-terrain vehicle. Snowmobiles and motorcycles designed for off-road operation and not eligible to be registered as a Class D vehicle (also known as dirt bikes) are also considered off-highway vehicles. The bill excludes farm vehicles, as well as any vehicle used on residential property for landscaping, gardening, or lawn care.

The bill requires that all off-highway vehicles be titled and registered. However, titling and registration are not required for an OHV bought before October 1, 2003 until October 1, 2008 or the date the vehicle is first transferred to a new owner after October 1, 2003, whichever date is earlier. The bill also repeals the registration exemption for snowmobiles.

The bill requires a person who applies to register an OHV to be at least 18 years old and requires a vehicle dealer who transfers an off-highway vehicle to someone other than a licensed dealer to either: (1) collect and send all fees required to register the vehicles to the Motor Vehicle Administration (MVA) within 20 days of delivery of the vehicle; or (2) transmit the application and fees electronically to the MVA. The MVA must issue a registration decal for the off-highway vehicle as a Class O vehicle and must establish the registration fee for Class O vehicles. The bill directs the MVA to retain registration revenues necessary to recover administration costs and remit the balance to the Comptroller for deposit into the Off-Highway Vehicle Fund.

The bill repeals provisions of law related to minibikes and off-the-road motorcycles and requires any dealer or seller of an off-highway vehicle to disclose certain legal requirements to the buyer. The bill also prohibits off-highway vehicles from being operated on a controlled access highway or on a highway except to cross the highway at a right angle. The driver of an off-highway vehicle must get written permission from the owner of private property before operating it on that property.

The bill defines the fair market value of a new or used off-highway vehicle (for determining the vehicle excise tax) as the total purchase price verified to the MVA's satisfaction by a bill of sale or other acceptable documentation.

Current Law: State law authorizes DNR to make rules and regulations to protect State parks and forests and other public lands, including the operation, maximum noise levels, and equipment standards for off-road vehicles. Every off-road vehicle used on lands under DNR's control must be registered with the agency for an annual fee; the revenues from that fee must be used to acquire and maintain areas for off-road vehicles. The agency is responsible for identifying areas where the public can use motorcycles, snowmobiles, and other off-road vehicles. No one may sell or lease any off-highway recreation vehicle that is not subject to registration under the Maryland Vehicle Law and exceeds the maximum sound level set by DNR.

A person may not pursue wildlife with an off-road vehicle. For purposes of this prohibition, off-road vehicle is defined as a motorized vehicle designed for cross-country travel on land, water, snow, ice, marsh, swampland, or other natural terrain, including amphibious machines, trucks, automobiles, motorcycles or related two-wheel vehicles, four-wheel drive or low-pressure-tire vehicles, and ground-effect and air-cushion vehicles. The definition also includes lawn mowers, snowblowers, boats, golf carts, farm-type tractors, and earth-moving equipment.

State criminal law has a similar definition of off-road vehicle. A person may not use an off-road vehicle on private property without the owner or tenant's written permission in his or her possession. Use of an off-road vehicle on public property is also prohibited. Violators are guilty of a misdemeanor and, upon conviction, are subject to imprisonment of up to 90 days or a maximum fine of \$500, or both.

Vehicle owners must apply for a certificate of title from the MVA. Vehicles exempt from the certificate of title requirement include bicycles, certain trailers, those owned by nonMaryland residents, and self-propelled wheelchairs or tricycles used by invalids. Every motor vehicle, trailer, semitrailer, and pole trailer driven on a highway must be registered, unless exempted, and is subject to the biennial registration fee charged for that class of vehicle. The State also assesses an \$11 registration surcharge; revenues from that surcharge are deposited into the Maryland Emergency Medical System Operations Fund.

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. The total purchase price means the price of a vehicle agreed on by the buyer and the seller, with no allowance for trade-in or other nonmonetary consideration.

Titling tax revenue is split between the TTF (76%) and local governments (24%). Registration fee revenue is deposited into the Gasoline and Motor Vehicle Revenue Account; 70% of the revenue is allocated to the TTF and the remainder is distributed to local governments.

Background: DNR collects a \$15 permit fee on all-terrain vehicles that operate on DNR lands for its maintaining off-road vehicle trails; in 2002, it collected \$56,466 from 3,764 vehicles. The bulk of these vehicles were in Western Maryland where much of the State forests and off-road vehicle trails exist. DNR provides trails for off-road vehicles in Garrett, Potomac, Green Ridge, Savage River, and Pocomoke State Forests.

According to a survey by the Specialty Vehicle Institute of America, at least 17 states require all-terrain vehicles to be registered with the motor vehicle agency, including four that only require it if the vehicle operates on public lands. Another dozen states require registration with the recreational management agency. Of the states neighboring Maryland, only Delaware requires an off-road vehicle to be registered with the motor vehicle department. Several states, including Kentucky, Hawaii, Kansas, Mississippi, Virginia, and South Carolina, do not have any registration requirements for off-road vehicles.

State Fiscal Effect: TTF revenues due to one-time titling and lien fees (\$43) would increase by at least \$436,826 in fiscal 2004. This estimate assumes 13,545 OHVs sold in Maryland in calendar 2003, based on the current sales estimated by the Motorcycle Industry Council (12,900 in 2002). The Department of Legislative Services (DLS) advises that this vehicle count does not include snowmobiles and therefore revenues could be slightly higher. Future revenues assume a 5% growth in annual sales.

The biennial registration fee would be \$37 and total registration revenues payable to the Off-Highway Vehicle Fund would be approximately \$375,873 in fiscal 2004, less the amount retained by the MVA for costs. Annual revenues would fluctuate according to the biennial registration cycle.

TTF revenue increases from application of the vehicle excise tax on OHVs are difficult to forecast because of the variances in prices of OHVs, inflation, and future sales. The average cost of a dirt bike, for example, is \$6,000, yet an all-terrain vehicle ranges from \$1,800 to \$7,500. Assuming an average price of \$5,000 per vehicle and 13,545 OHVs sold in calendar 2003, TTF titling tax revenues would increase by \$1,930,163 in fiscal 2004.

The MVA's expenditures for personnel and administrative costs would be \$59,902 for additional personnel and supplies in fiscal 2004. The MVA advises that it needs one full-time and one part-time customer agent for every 10,000 transactions if that transaction involves titling a vehicle. Accordingly, an additional part-time customer service employee would be needed in fiscal 2008 as the number of vehicles requiring registration and titling increase. This estimate does not include computer programming changes estimated by MVA to cost \$140,000.

The titling and registration requirements will only apply to off-road vehicles bought before October 1, 2003 until October 1, 2008 except when one is sold or transferred before that time. Sales of OHVs in 2008 and the number of existing OHVs that were previously exempt cannot be forecasted at this time. However, revenues for the fund are expected to increase considerably in 2008 and the out-years when all OHVs become subject to the bill's requirements. DLS advises that more staff or temporary contractual assistance may be necessary in the out-years when the entire population of OHVs will require registration and titling.

Local Revenues: Local government revenues would increase by \$609,525 due to titling tax revenues for OHVs in fiscal 2004; annual revenues would presumably increase as sales grow. Revenue boosts would be larger beginning in fiscal 2009, when the titling requirements apply to all OHVs. DLS assumes that the local governments' 30% share of registration fee revenue would not apply under this bill.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Natural Resources, Department of Transportation, Motorcycle Industry Council, Department of Legislative Services

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