

Department of Legislative Services
 Maryland General Assembly
 2003 Session

FISCAL AND POLICY NOTE

House Bill 142 (Delegate Moe, *et al.*)
 Ways and Means

Vehicle Laws - For-Rent Vehicles - Rental Fee

This bill imposes a \$3 fee for each motor vehicle rented. The fees would be paid by the motor vehicle renter.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would increase by approximately \$9 million annually; future year growth reflects assumed 3% growth in vehicle rentals.

(\$ in millions)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$9.0	\$9.3	\$9.5	\$9.8	\$10.1
GF Expenditure	0	0	0	0	0
Net Effect	\$9.0	\$9.3	\$9.5	\$9.8	\$10.1

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

Local Effect: None. The bill does not appear to direct any of the additional TTF revenues to local governments.

Small Business Effect: None.

Analysis

Current Law: There is currently no “per-transaction” charge on motor vehicle rentals.

Background: Rentals of passenger cars and multipurpose vehicles are subject to an 11.5% sales tax, if the vehicle is rented for a period of 180 days or less and for which the lessor does not furnish a driver and which is not to be used for transporting passengers or property for hire. Certain rental trucks are taxed at 8%. The sales tax on rental vehicles raised approximately \$56.7 million in fiscal 2002.

State Revenues: This bill could raise approximately \$9 million per year in revenues based on the following information and assumptions: (1) the Maryland Aviation Administration reports that there are approximately 1 million vehicle rental transactions at Baltimore-Washington International Airport (BWI) each year; and (2) it is assumed that BWI rentals reflect approximately one-third of total vehicle rental transactions in Maryland. It is further assumed that demand for vehicle rentals – whether for business or personal travel, or as a replacement for a vehicle in a repair shop – is relatively inelastic and would not decline as a result of the \$3 per transaction fee.

State Expenditures: The Comptroller's Office advises that it would incur approximately \$12,000 annually in programming and personnel costs to collect the fee.

Additional Comments: The Comptroller's Office interprets the bill's language to apply a \$3 fee to each rental vehicle, rather than to each rental transaction. Under that interpretation, the level of revenues raised would be much lower, at approximately \$72,000 annually, with an additional approximately \$133,000 to reflect existing rental vehicles. The bill's language should be amended to clarify the application of the fee.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 24, 2003
lc/jr

Analysis by: Matthew D. Riven

Direct Inquiries to:
(410) 946-5510
(301) 970-5510