

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 454

(Delegate Barve)

Environmental Matters

Judicial Proceedings

Vehicle Laws - Dealer Processing and Freight Charges

This bill increases the maximum processing fee that a vehicle dealer may charge for the sale of a vehicle from \$25 to \$100 and applies the fee toward the vehicle's total purchase price for imposing the State vehicle excise tax.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could increase by up to \$2 million in FY 2004 from inclusion of dealer processing fees in the vehicle purchase price. Out-year revenues reflect annualization and inflation. Expenditures would not be affected.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
SF Revenue	\$1,987,600	\$2,007,500	\$2,027,600	\$2,047,800	\$2,068,300
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$1,987,600	\$2,007,500	\$2,027,600	\$2,047,800	\$2,068,300

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

Local Effect: Local government revenues would increase by an estimated \$627,700 in FY 2004 due to the distribution of titling tax revenues.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill also requires a dealer processing charge to be reasonable and reflect dealer expenses generally incurred for services rendered in administering the sale. The bill stipulates that a contract for a vehicle sale must state the freight charge in 12 point type or larger. A dealer must disclose, in writing, the services included in the processing charge upon request from the vehicle purchaser. The bill adds services for which the dealer may charge to include retaining documentation and records of the transaction and complying with federal or State privacy laws. It also repeals the requirement that the charge must be preprinted on the sale contract form and states that the dealer does not have to include any dealer processing or freight charge in the advertised price of the vehicle if the charges are clearly and conspicuously disclosed in bold, 10 point font within reasonable proximity to the advertised price.

Current Law: The dealer processing charge allowed by law includes the amount charged for preparing written documentation of the transaction; obtaining license plates, a title, and a lien release; and filing title documents with the MVA; as well as other administrative services related to the sale of a vehicle. The dealer processing charge does not include a charge to purchase or install tangible personal property on or in the vehicle or to perform mechanical services on it. This charge may not exceed \$25.

A contract for a vehicle sale must contain a preprinted statement in 12 point font or larger, that specifies the dealer charge and clarifies that the charge is not required by law. A vehicle dealer must include the amount of the processing fee in the advertised price in any advertisements and must disclose the processing fee, in at least 10 point font, in the price statement that is required to be attached to the window of the vehicle. These requirements do not apply to freight charges.

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%).

State Revenues: Assuming the 5% vehicle excise tax is applied to all transactions and the maximum \$100 fee is applied toward the purchase price for each transaction, TTF

revenues could increase by \$1,987,605 in fiscal 2004, accounting for the distribution among the TTF and local governments. This estimate is based on 523,054 dealer transactions processed in fiscal 2002. Revenues are estimated to increase by 1% annually.

The Department of Legislative Services advises that payment of the processing fee is not mandatory and that some customers will decline to pay it or negotiate a lower fee. It further observes that revenues will vary according to sales volume, which will fluctuate due to factors such as the economy and manufacturer or dealer incentives. The Maryland Department of Transportation attributes lower vehicle sales in 2003 to the drop off in 0% financing packages that were popular in 2002.

Local Revenues: Local governments would receive 24% or \$627,665 of the increase that results from applying the dealer processing fee toward the vehicle purchase price.

Additional Information

Prior Introductions: None.

Cross File: SB 438 (Senator Giannetti) – Judicial Proceedings.

Information Source(s): Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2003
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Revised - House Third Reader - April 2, 2003
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