

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1332
Ways and Means

(Delegate Conroy)

Budget and Taxation

Motor Homes and Travel Trailers - Vehicle Excise Tax - Definitions - Extension of
Sunset

This bill extends from June 30, 2004 to June 30, 2007 the sunset date for a provision of law that allows the purchase price of a motor home or travel trailer to be lowered by the value of a trade-in for determining the vehicle excise tax. The bill requires the Maryland Department of Transportation (MDOT) to track the value of motor home and trailer trade-ins to determine the impact of the trade-in allowance on vehicle excise tax revenues and provide a report to the fiscal committees on the impact to the Transportation Trust Fund (TTF) and economic benefits of the bill by October 1, 2006.

The bill takes effect June 1, 2004.

Fiscal Summary

State Effect: TTF revenues would continue to decrease through FY 2007 at varying rates based on sales of recreational vehicles (RVs). Expenditures would not be affected.

Local Effect: Local governments' share of titling tax revenue would continue to decrease through FY 2007.

Small Business Effect: Minimal overall, but potential meaningful for RV dealers that are small businesses.

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.

Chapter 361 of 2001 reduced the total purchase price of motor homes and travel trailers used to calculate the 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 trade-in allowance became effective July 1, 2001 and terminates July 1, 2004.

Background: Approximately 7 million households in the U. S. own a recreational vehicle (*e.g.*, motor home, travel trailer, truck camper), according to the Recreational Vehicle Industry Association (RVIA). The association predicts long-term substantial market growth for RVs – a 15% rise in the number of RV-owning households from 2001 to 2010 – due to the “baby boomer” consumers who are 35 to 54 years old. A 2001 demographic study commissioned by RVIA reports that the average RV owner is 49 years old, married, owns a home, and has an annual household income of \$56,000.

State Revenues: The MVA does not track the value of trade-ins for RVs or the corresponding reduction in titling tax revenues. There were 10,043 registered motor homes in Maryland in fiscal 2003; data on the number of travel trailers are not available.

Based on a 2001 survey of RV dealers indicating the value of RV trade-ins, and incorporating 21% growth in RV shipments in 2002 and 3% growth of shipments in 2003, MDOT estimates that the total TTF revenue loss in fiscal 2005 would be \$487,655, of which the State’s share would be \$370,618. Sales of RVs are sensitive to the economy and gas prices and, therefore, can fluctuate dramatically. For example, RV shipments rose by 15% in 1998 and fell by 14% in 2001. Accordingly, TTF revenue losses will be subject to economic swings. However, the long-term growth of RV sales suggests increasing revenue losses through fiscal 2007.

Local Revenues: Local governments’ share of titling tax revenues is 24% of total revenues. To the extent that titling tax revenues decline through fiscal 2007, local highway user revenues could decline significantly. In fiscal 2005, the estimated loss is \$117,037.

Additional Information

Prior Introductions: None.

Cross File: SB 712 (Senator Middleton) – Budget and Taxation.

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

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