

Department of Legislative Services  
 Maryland General Assembly  
 2005 Session

FISCAL AND POLICY NOTE

House Bill 1251 (Delegate Frush, *et al.*)  
 Environmental Matters

Vehicle Laws - Off-the-Road Vehicles - Restrictions

This bill defines and establishes a vehicle class for off-the-road vehicles (ORV) and requires the Motor Vehicle Administration (MVA) to register these vehicles. The bill imposes restrictions on the operation of these vehicles. The bill also repeals the authority of the counties and Baltimore City to regulate, register, and charge a registration fee for off-the-road motorcycles.

Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues would increase by at least \$8.8 million from titling, registration fees, and excise taxes in FY 2006. General fund revenues would decrease by at least \$2.8 million in FY 2006 as ORVs would no longer be subject to the State sales tax. Annual revenues reflect growth in ORV sales and annualization. TTF expenditures and increased staffing associated with implementing the bill would be about \$705,700 in FY 2006. Additional staffing and expenditures to accommodate additional licensing of ORV dealers may also be required. Out-years include annualization and inflation.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
GF Revenue	(\$2,812,500)	(\$3,900,000)	(\$4,056,000)	(\$4,218,300)	(\$4,387,000)
SF Revenue	8,812,500	8,336,000	9,075,400	9,844,500	10,645,300
SF Expenditure	705,700	960,800	1,012,700	1,068,500	1,128,500
Net Effect	\$5,294,300	\$3,475,200	\$4,006,700	\$4,557,700	\$5,129,800

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

**Local Effect:** Local government revenues could increase by at least \$1.7 million in FY 2006 due to increased revenues from excise taxes and registration fees and would offset the revenue loss for those counties that charge fees for registration of off-the-road motorcycles. Annual revenues would increase according to growth of new vehicle sales.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** This bill provides that ORVs are Class O vehicles which must be registered with the MVA. For the purposes of this bill, an ORV means:

- an “all terrain vehicle” that travels on at least three low-pressure tires and is capable of cross-country travel over various types of natural terrain;
- a “miniature motorcycle” that has one front wheel and two rear wheels on a single axle, has no enclosure except for a windshield or screen, is not eligible for registration as a Class D motorcycle, and includes vehicles commonly referred to as “pocket bikes” and “mini-choppers;”
- a miniature scooter that has two wheels connected by a floorboard designed to be stood upon, has a singular front steerable wheel that is attached to a handlebar or other steering device, may be powered by human propulsion, and includes motor vehicles referred to as “razor scooters” or “go-peds;” and
- an off-the-road motorcycle that has one front wheel and one or two rear wheels on a single axle, has a singular front steerable wheel mounted in a fork assembly, is designed for off-road operation, has no enclosure except for a windshield or screen, is not eligible for registration as a Class D motorcycle, and includes motorcycles that are referred to as “dirt-bikes.”

The MVA is required to register an ORV in the name of the owner, or if the owner is a minor, in the name of the parent or guardian of the owner. The bill is silent on the frequency of registration. However, the MVA advises it would register vehicles annually.

A person younger than 16 may not operate an ORV, unless that person operates the ORV under the supervision of a parent or guardian. A person may not operate an ORV on any highway, unless the person is crossing a highway at a right angle, and is prohibited from operating an ORV on a controlled access highway at all times. A person is prohibited from operating an ORV on a public sidewalk and may not operate or permit to be operated any ORV that has not been registered with the MVA. An ORV may not be operated after 8 p.m. or before 7 a.m. A person either operating an ORV or riding as a passenger must wear protective headgear that meets standards set by the MVA. An

operator who violates any of these provisions may receive a citation. If the operator is a minor, the citation may be issued to the parent or guardian. A passenger who does not comply with the protective headgear requirement may also receive a citation.

**Current Law:** State law does not require the titling or registration of ORVs as defined in this bill.

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 registration fee assessed by the MVA varies with the class of the vehicle being registered. The State also assesses a \$13.50 registration surcharge, \$11 of which is deposited into the Maryland Emergency Medical System Operations Fund and \$2.50 of which is deposited into the Maryland Trauma Physician Services Fund. A vehicle subject to the registration requirement that is not registered may not be parked on any public alley, street, highway, or on private property that is used by the general public, including the parking lots of shopping centers, condominiums, and townhouse developments. Vehicles generally exempt from the registration requirement include those belonging to nonresidents, farm equipment, towed vehicles, vehicles owned by dealers for the purposes of sale, maritime commerce vehicles, golf carts, diplomatic vehicles, and other vehicles as specified.

The MVA may not register or renew the registration of a vehicle unless it has received an application for a certificate of title or issued a certificate of title. Before the issuance of a certificate of title for a vehicle, the owner must pay an excise tax. The excise (or titling) tax 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 at least seven years old and is sold by a person other than a licensed dealer, 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 seller, including any dealer processing charge, 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 as highway user revenues:

Unless otherwise specified, a violation of the Maryland Vehicle Law is a misdemeanor that carries a maximum fine of \$500.

State law authorizes the Department of Natural Resources (DNR) to regulate the operation, equipment standards, and maximum noise levels of specified off-highway

vehicles (OHVs) to protect State parks, forests, and other public lands. An OHV is defined as a motorized vehicle designed for cross-country travel on land, water, snow, and other natural terrain and includes the all-terrain vehicles and off-the-road motorcycles specified in this bill. Every OHV used on lands under DNR's control must be registered with the agency for an annual fee. The revenues from the fee must be used to acquire and maintain areas for OHVs. DNR is responsible for identifying areas where the public can use motorcycles, all-terrain, and other off-the-road vehicles. No one may sell or lease any OHV that is not subject to registration under the Maryland Vehicle Law and exceeds the maximum sound level set by DNR. A person may not use an OHV on private property without the owner's or tenant's written permission in his or her possession. Use of an OHV on public property is also prohibited. A violator is guilty of a misdemeanor and is subject to imprisonment for up to 90 days and/or a fine of up to \$500.

**Background:** According to a 2003 survey by the Specialty Vehicle Institute of America, at least 17 states require all-terrain vehicles to be registered with the state's motor vehicle agency, including three that only require it if the vehicle operates on public lands. Minnesota, Maine, and Idaho are among the states that direct registration fee funds be used specifically for buying or maintaining trails. Another 14 states require registration with the recreational management agency. Of the states neighboring Maryland, only Delaware requires an ORV to be registered with the motor vehicle agency. Several states, including Kentucky, Hawaii, Mississippi, Virginia, and South Carolina, do not have any registration requirements for ORVs.

**State Revenues:** TTF revenues could increase by at least \$8,812,500 from the titling, lien, and registration fees and titling taxes for all-terrain vehicles and off-the-road motorcycles. This estimates does not include any additional revenues from the titling and registration of miniature motorcycles (pocket bikes) and miniature scooters (razor scooters). The estimate does not include any additional revenues that may be attained from the licensing of ORV dealers that could occur under this bill. The following assumptions are applied to the revenue estimate:

- The Motorcycle Industry Council estimates that at least 91,000 all-terrain vehicles and off-road motorcycles were in use in Maryland by calendar 2003. Retail sales of all-terrain vehicles in 2004 were 9,381. A total vehicle population of 100,000 in fiscal 2006 was used for this revenue estimate, which includes all-terrain vehicles and off-road motorcycles, but excludes pocket bikes and razor scooters.
- The Motorcycle Industry Council advises that retail sales of all-terrain vehicles and off-road motorcycles combined were 13,611 in calendar 2003. This revenue estimate assumes 15,000 new sales of all-terrain vehicles and off-road motorcycles

in fiscal 2006 with 4% growth in sales annually. Sales of pocket bikes and razor scooters would be additional.

- The average cost of an off-road motorcycle is \$6,000, yet all-terrain vehicles range from \$1,800 to \$7,500 in price. Razor scooters and pocket bikes can be purchased for a few hundred dollars. Because sales figures are not available for pocket bikes and razor scooters that would be registered under this bill, this estimate is based on sales figures for all-terrain vehicles and off-road motorcycles and assumes an average retail price of \$5,000.
- Assuming an average price of \$5,000 per vehicle and a projection of 15,000 vehicles sold in fiscal 2006, 75% of which would be subject to the titling tax, due to the bill's October 1 effective date, revenues retained in the TTF due to the titling tax (76% of \$2,812,500) could increase by at least \$2,137,500 in fiscal 2006.
- TTF revenues due to one-time titling (\$23) and lien fees (\$20) would increase by \$2,500,000 in fiscal 2006. This assumes that at least 100,000 vehicles would be subject to the titling fee, because all vehicles currently in use in Maryland as well as newly purchased vehicles would be subject to the titling fee. Further, the estimate assumes that 10% of the 100,000 vehicle population would be assessed a lien fee. Out-years assume that more than 15,000 new vehicles (4% growth per year) would be subject to titling fees and 10% of them would also be subject to lien fees annually.
- The MVA would assess a registration fee of \$35 annually to the vehicle owners subject to titling and registration under this bill. Revenues retained in the TTF due to new registration could increase by at least \$2,450,000 (70% of \$3,500,000 total) in fiscal 2006.

Revenues from the titling and registration of ORVs are difficult to forecast due to the variances in the prices of the vehicles, inflation, and future sales. No reliable information is available to estimate the number of miniature bikes and scooters owned in Maryland, nor is a reliable estimate of retail sales available.

General fund revenues could be reduced by at least \$2,812,500 in fiscal 2006. Most ORVs that would become subject to the 5% titling tax under this bill are currently subject to the 5% State sales tax. Sales that are subject to the titling tax are not subject to the sales tax. This estimate does not include any revenue loss from pocket bikes and razor scooters that would not be subject to the sales tax under this bill's provisions. Out-years

include annualization and assume 4% growth in the vehicles that would no longer be subject to the sales tax.

Future revenues include annualization and assume a 4% growth in annual sales. The Motorcycle Industry Council projected nationwide growth of 3.8% in annual sales for off-highway vehicles in 2004.

**State Expenditures:** TTF expenditures could increase by at least an estimated \$705,689 in fiscal 2006, which accounts for the bill's October 1, 2005 effective date. This estimate reflects the cost of hiring 15 customer service agents at grade 10, 1 internal auditor, at grade 16, and 4 temporary employees for every 100,000 vehicles that must be titled and registered under this bill. The staffing protocol for the MVA indicates that it requires 1.5 customer service agents for every 10,000 transactions that involve titling a vehicle. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses including forms, mailing, employee training, and renewal notices and flyers. The estimate does not include computer programming changes estimated by the MVA to cost \$215,000, nor does it include any additional staffing and expenditures that may be required to license ORV dealers.

Positions	16
Salaries and Fringe Benefits	\$509,382
Temporary Employees	88,713
Titling Forms, Stickers, Renewals	58,275
Postage	41,700
Other Operating Expenses	<u>7,619</u>
<b>Total FY 2006 State Expenditures</b>	<b>\$705,689</b>

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover and (2) 1% annual increases in ongoing operating expenses.

**Local Revenues:** Local government revenues could increase by at least \$1,725,000 from titling taxes and registration fees in fiscal 2006. Annualized revenues would be, \$1,950,000 and would presumably increase as sales grow.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Montgomery County, Prince George's County, Garrett County, Dorchester County, Baltimore County, Anne Arundel County, Maryland Department of Transportation, Specialty Vehicle Institute of America, Motorcycle Industry Council, Department of Legislative Services

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