HB 51

Department of Legislative Services

Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 51 (Delegate Kach)
Ways and Means Budget and Taxation

Motor Vehicle Excise Tax - Trailers

This bill alters the calculation of the minimum fair market value upon which the State excise tax is imposed for used trailers sold by any person other than a dealer. The minimum fair market value for these used trailers would be equal to the greater of $320 or the total purchase price of the used trailer.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could decrease by approximately $149,700 in FY 2007 due to decreased excise tax collections on used trailers. The State's share of the loss would be approximately $113,800. Future years reflect annualization and estimated 2% annual increase in sales. TTF expenditures could increase by approximately $6,500 in FY 2007 due to additional printing costs at the Motor Vehicle Administration (MVA). Potential additional TTF expenditures in FY 2007 due to computer reprogramming expenditures at the MVA.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
SF Revenue	($149,700)	($203,600)	($207,700)	($211,800)	($216,100)
SF Expenditure	6,500	0	0	0	0
Net Effect	($156,200)	($203,600)	($207,700)	($211,800)	($216,100)

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

Local Effect: Local highway user revenues could decrease by approximately $35,900 in FY 2007 and by approximately $48,900 in FY 2008. Future losses would increase by 2% thereafter.

Small Business Effect: None.

Analysis

Current Law: An excise tax, or titling tax as it is often referred to, equal to 5% of the fair market value of a vehicle is paid at the time of application for an original or subsequent title to a vehicle. The fair market value is calculated depending on what type of vehicle is sold and who sells the vehicle.

Trailers are any vehicle, except pole trailers, that do not have motive power, are designed to carry people or property, and no part of its weight rests on the towing vehicle. The fair market value of a used or new trailer sold by a dealer is equal to the total purchase price as certified by the dealer. The total purchase price includes any dealer processing charges but cannot include any allowance for a trade-in.

The minimum fair market value of a used trailer sold by any person other than a dealer is calculated based on the age of the trailer. If a used trailer is seven years or older, the fair market value is equal to the greater of $640 or the total purchase price. For trailers that are less than seven years old, the fair market value is equal to the total purchase price if: (1) the total purchase price is less than $500 below the retail value of the trailer, as determined by a national publication adopted for use by the MVA; or (2) the total purchase price is more than $500 below the retail value of the trailer and the application for title is submitted with an acceptable notarized bill of sale. If the purchase price is more than $500 less than the estimated retail value of the used trailer and is not accompanied with an acceptable notarized bill of sale, the fair market value is the retail value shown in the national publication.

State Revenues: TTF revenues could decrease by approximately $149,700 in fiscal 2007, which reflects the estimated loss in excise taxes collected on used trailers and the effective date of the bill. According to the MVA, approximately 12,000 used trailers sold by individuals who were not licensed dealers in fiscal 2005 were taxed at the minimum fair market value of $640. Assuming all of these minimum assessments represented used trailers that were at least seven years old, TTF revenues would have decreased by approximately $16 per trailer or a total of approximately $192,000. It is assumed that the number of trailers assessed at the minimum value increases by approximately 2% annually from fiscal 2005 to 2011.

For used trailers that are less than seven years old and are sold for less than $320, altering the calculation of the minimum fair market value could increase the amount of taxes assessed on these trailers. Conversely, the State would lose revenue on used trailers where the MVA would have imposed a minimum value based on the retail value estimated by a national publication. The MVA could not provide an estimate on how many times either one of these cases would apply. The revenue effects from these two instances, however, are expected to be minimal.

State Expenditures: Special fund expenditures could increase by approximately $6,500 in fiscal 2007 due to additional printing costs and revision of the VR-5 (application for title) form. The MVA also advises that computer programming modifications would be needed to meet the bill's requirements. The changes could result in a one-time expenditure of $54,000 in special funds in fiscal 2007. The Department of Legislative Services advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting vehicle titling.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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