

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE

House Bill 365 (Delegate Weir, *et al.*)
 Environmental Matters

Vehicle Laws - Registration Fees - Discount for Seniors and Individuals with Disabilities

This bill reduces by 50% the renewal registration fee on vehicles driven 5,000 miles per year or less whose owner(s) are either at least 70 years old or certified as disabled under the Transportation Article.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would decrease by \$2.4 million in FY 2007 due to reducing registration fees by one-half for qualified vehicles. The State’s share of the loss would be \$1.7 million. Future year revenue reductions reflect the biennial renewal of automobile registrations and a 1% annual increase in the number of registrations. TTF expenditures could increase in FY 2007 only for computer reprogramming costs.

| (in dollars) | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 |
|----------------|---------------|---------------|---------------|---------------|---------------|
| SF Revenue | (\$2,405,600) | (\$3,239,600) | (\$3,272,000) | (\$3,304,700) | (\$3,337,700) |
| SF Expenditure | - | 0 | 0 | 0 | 0 |
| Net Effect | (\$2,405,600) | (\$3,239,600) | (\$3,272,000) | (\$3,304,700) | (\$3,337,700) |

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

Local Effect: Local government revenues would decrease by \$743,000 in FY 2007 due to a decrease in Gasoline and Motor Vehicle Revenue Account (GMVRA) revenues distributed to local governments as highway user revenues. Future year revenue reductions reflect the biennial renewal of automobile registrations and a 1% annual increase in the number of registrations.

Small Business Effect: None.

Analysis

Current Law: The State exempts some vehicles from registration fees such as government vehicles; vehicles owned by certain disabled veterans or certain surviving spouses of disabled veterans; and vehicles used by volunteer fire departments, the Civil Air Patrol, or the American Red Cross. The State also exempts individuals 70 and older and disabled individuals who drive less than 5,000 miles per year from the Vehicle Emissions Inspection Program (VEIP).

Registration fee revenue is deposited into the GMVRA in the TTF – 70% is retained in the TTF and local jurisdictions receive the remainder as highway user revenue.

Background: Most neighboring states (Delaware, Virginia, and West Virginia) do not offer a discount on registration fees for seniors or individuals with disabilities. However, Pennsylvania offers a registration fee discount of \$10 for individuals whose income is less than \$19,200 and who are retired or disabled. Other states also provide discounts. For example, South Carolina offers a discount to individuals 64 and older. Alaska exempts individuals 65 and older from vehicle registration fees. Numerous townships across the U. S. offer rebates on local registration fees and taxes for senior citizens or persons with disabilities.

State Revenues: The State exempts the same population as would be affected by this bill from VEIP biennial inspections. In fiscal 2005, 61,934 such vehicles were exempt from VEIP. In the first two years of ownership, new vehicles are also exempt from VEIP; however, the number of new vehicles driven 5,000 miles or less per year and whose owners are at least 70 or certified as disabled is assumed to be minimal.

Although VEIP inspection and registration renewal do not necessarily coincide, using the VEIP exemptions as a proxy, and assuming the number of VEIP exemptions remains constant through fiscal 2007, 61,934 vehicles would be due for registration renewal in fiscal 2007.

Accordingly, TTF revenues would decrease by \$2.4 million in fiscal 2007 from the discounted registration fees. This takes into account the October 1, 2006 effective date of the bill. Revenues would decrease by \$3.2 million in fiscal 2008 and approximately \$3.3 million in fiscal 2009, fiscal 2010, and fiscal 2011.

This estimate is based on the following assumptions:

- a 1% annual growth rate in the number of eligible registrations;
- all eligible Class A and Class M vehicles weighing less than 3,700 pounds; and
- a weighted average of \$104 (based on an average of Class A, Class E, and Class M registrations for vehicles with both owners over 70).

Seventy percent of registration fees are retained by the TTF. The State portion of the loss is \$1.7 million in fiscal 2007 and \$2.3 million annually through 2011.

State Expenditures: The Motor Vehicle Administration (MVA) advises that it will cost \$90,000 to make internal computer programming changes in fiscal 2007 to implement this bill. Legislative Services also advises that, if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized and lower these programming costs for the MVA system.

Local Revenues: A discounted renewal registration fee would reduce local highway user revenues from the GMVRA by \$721,687 in fiscal 2007, \$971,872 in fiscal 2008, \$981,591 in fiscal 2009, \$991,407 in fiscal 2010, and \$1 million in fiscal 2011.

Additional Information

Prior Introductions: Identical bills, SB 201 and HB 58, were introduced in the 2005 session, but received unfavorable reports from the Senate Judicial Proceedings Committee and the House Environmental Matters Committee respectively.

Cross File: SB 161 (Senator Stone, *et al.*) – Judicial Proceedings.

Information Source(s): Pennsylvania Department of Motor Vehicles, Delaware Division of Motor Vehicles, West Virginia Department of Motor Vehicles, Virginia Department of Motor Vehicles, Alaska Department of Motor Vehicles, South Carolina Department of Motor Vehicles, Maryland Department of Transportation, Department of Legislative Services

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