

Department of Legislative Services  
Maryland General Assembly  
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 100

(Senator Miller, *et al*)

Budget and Taxation

Ways and Means

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Motor Vehicle Excise Tax - Active Duty Military Personnel Who Become  
Maryland Residents

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This bill extends the time period within which active-duty military personnel must title a personal vehicle with the Motor Vehicle Administration (MVA) in order to receive a credit against the motor vehicle excise tax for taxes paid on the vehicle in another state. The time period is extended from 60 days to 1 year.

Military includes the Commissioned Corps of the Public Health Service, the National Oceanic and Atmospheric Administration, or the Coast and Geodetic Survey.

This bill takes effect July 1, 2007.

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Fiscal Summary

**State Effect:** Potential minimal decrease in Transportation Trust Fund (TTF) revenues. Expenditures would not be affected.

**Local Effect:** Potential minimal decrease in local highway user revenues. Local expenditures would not be affected.

**Small Business Effect:** None.

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Analysis

**Current Law:** Nonresident active duty military personnel based in Maryland, the District of Columbia, or an adjoining state do not have to title or register a personal vehicle if it is registered and titled in the state of his/her residence.

The motor vehicle excise tax, also known as the titling tax, must be paid at the time of application for an original or subsequent vehicle title. Applicants pay 5% of the fair market value of the vehicle, which is the total purchase price of a new or used vehicle as certified by the dealer.

If a vehicle was formerly titled and registered in another state and the owner has not been a resident of Maryland for more than 60 days, the owner must pay the difference between the excise tax rate paid in the previous state and the State tax rate (5%), if the excise tax in the other state was lower. If no tax was paid in the state where the vehicle was previously registered, the owner must pay the full State excise tax. All vehicles are subject to a minimum \$100 tax, including those that paid a higher tax to the state where the vehicle was previously registered.

**Background:** Twenty percent of titling tax revenue is distributed directly to the Maryland Department of Transportation (MDOT) and 80% is deposited into the Gasoline and Motor Vehicle Revenue Account, of which 30% is distributed to local governments as highway user revenues. The result is an effective distribution of 76% to MDOT and 24% to local governments. The law requires that the State's share of funds be used to pay the debt service on MDOT's consolidated transportation bonds. Licensed vehicle dealers may retain the lesser of \$24 per vehicle or 1.2% of the gross excise tax collected as compensation for collecting and remitting the tax.

**State Fiscal Impact:** Active duty military personnel living in Maryland do not have to title and register their vehicles with the MVA as long as they remain nonresidents. However, once permanent residency is established, the vehicle must be titled and registered with the MVA. According to the Comptroller's Office, few active duty military personnel decide to become Maryland residents due to the tax benefits gained from establishing residency in a state that does not impose an income tax. It is assumed that most military personnel at some point have been stationed in a state without an income tax, notably Florida or Texas. Due to the limited number of individuals qualifying for the registration extension, any impact on State TTF revenues would be minimal.

**Local Revenues:** Local governments receive 24% of the motor vehicle excise tax as highway user revenues; accordingly, local revenues would decrease by a minimal amount beginning in fiscal 2008.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Military Department, Comptroller's Office, Maryland  
Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - January 29, 2007  
ncs/hlb

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