

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**  
**Revised**

Senate Bill 162

(Senators Stone and Della)

Judicial Proceedings

Environmental Matters

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**Motor Vehicles - Certificate of Title - Rebuilt Salvage**

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This bill alters the type of title that the Motor Vehicle Administration (MVA) must issue to a vehicle when the application for title is accompanied by a salvage certificate. A certificate of title bearing a notation of “rebuilt salvage” may only be issued to vehicles less than five model years old when the salvage certificate bears a notation that the cost to repair the vehicle for highway operations (repair cost) is equal to or less than the vehicle’s fair market value prior to sustaining the damage for which the claim was paid (damage).

In addition, the MVA is no longer required to issue a certificate of title without a notation of “rebuilt salvage” to vehicles where the salvage certificate was issued before October 1, 1992 and the application is accompanied by a written statement from the insurance company that the repair cost was equal to or less than the fair market value of the vehicle prior to the vehicle sustaining damage.

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**Fiscal Summary**

**State Effect:** Potential increase in Transportation Trust Fund expenditures in FY 2008 for computer reprogramming costs. Revenues would not be affected.

**Maryland Automobile Insurance Fund (MAIF):** MAIF advises that the rebuilt salvage notation could reduce the value of its recoverables that are four model years old or newer by approximately 50%. In FY 2006 this would have meant a loss of revenue of \$178,815. MAIF would have to raise premiums to recoup the loss.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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## Analysis

**Bill Summary:** The bill requires the MVA to issue a title containing a notation of “rebuilt salvage” if the vehicle in question is less than five model years old and the salvage certificate contains a notation under § 13-306 (c)(2)(ii)2 of the Transportation Article. Subtitle 3 of Title 13 of the Transportation Article has been reserved; as such, no salvage certificate can contain a notation under that subsection.

Under § 13-506 (c)(2)(ii)2 of the Transportation Article, a salvage certificate can bear a notation that the repair cost operation is equal to or less than the fair market value of the vehicle prior to sustaining damage. It is therefore assumed that the bill is intended to reference this section.

**Current Law:** An insurance company must obtain a salvage certificate for each vehicle titled in Maryland that is acquired as a result of a claim settlement arising from an accident that occurred in the State. Along with the required \$20 fee and the vehicle title, the company must provide one of the following statements on the application:

- the cost to repair the vehicle for highway operation is greater than the fair market value of the vehicle prior to sustaining the damage for which the claim was paid;
- the cost to repair the vehicle for highway operation is equal to or less than the vehicle’s fair market value before the damage occurred;
- the vehicle is not rebuildable, will be used for parts only, and is not to be retitled; or
- the vehicle has been stolen.

The salvage certificate must contain a conspicuous notation by the MVA that describes which of these statements applies to the vehicle.

The MVA must issue a certificate of title that contains a conspicuous notation that the vehicle is “rebuilt salvage” if: (1) the salvage certificate bears a notation that the cost to repair the vehicle exceeds the fair market value of the vehicle before the damage occurred; or (2) the certificate does not bear a notation that the cost to repair the vehicle for highway operation is equal to or less than the fair market value of the vehicle prior to the damage for which the claim was paid.

The MVA must issue a certificate that does not bear a conspicuous notation of “rebuilt salvage” if the salvage certificate accompanying the application:

- bears a notation that the cost to repair the vehicle for highway operation is equal to or less than the fair market value of the vehicle before the damage was incurred;
- was issued before October 1, 1992, and the application is accompanied by a statement from the insurance company that the cost to repair the vehicle was equal to or less than the fair market value of the vehicle prior to the sustained damage; or
- is issued for a vehicle more than seven model years old.

**Background:** After national disasters such as Hurricane Katrina and other storms, thousands of vehicles written off by insurers as ruined oftentimes are rebuilt and placed on the market. In addition, thousands of vehicles involved in accidents are rebuilt and resold. Unless the title to a vehicle labels the vehicle as “rebuilt salvage,” a person may not know that the vehicle was salvaged and rebuilt or repaired. A person may find out about a salvage certificate on a vehicle if a person pays to receive documentation from a service called “CarFax.”

The Governor vetoed a similar bill (as amended) in 2003. In his veto message, he stated that SB 90 “will result in increased costs to insurers and automobile auctioneers because of the diminished value of salvage vehicles, and ultimately to consumers because insurers will have less incentive to total damaged vehicles.”

The veto message also stated that the bill will result in an anomaly because a title will only be “branded” as rebuilt salvage if the insurer agrees to pay the owner the fair market value for a damaged vehicle. If the owner elects to keep the vehicle and have it repaired, the title will not be branded.

**State Expenditures:** The MVA advises that computer programming modifications to meet the bill’s requirements would total \$45,000 in fiscal 2008. However, 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 computer programming costs associated with this bill and other legislation affecting the MVA system.

**Additional Comments:** Under the bill, if a vehicle is accompanied by a salvage certificate bearing a notation that the repair cost is equal to or less than the fair market value of the vehicle prior to sustaining damage, the MVA would be required to take distinct actions based on the age of the vehicle. The MVA would have to issue vehicles a title marked “rebuilt salvage” if the vehicle was four model years old or less but would be prohibited from issuing a title marked “rebuilt salvage” if the vehicle was older than

seven model years. It is unclear whether a title would need to be marked as “rebuilt salvage” if the vehicle was five to seven model years old.

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### **Additional Information**

**Prior Introductions:** This bill as introduced was identical to HB 728 and SB 90 of 2003 as originally introduced. HB 728 was amended and passed the House, but no further action was taken. SB 90 was also amended and adopted by the General Assembly but was vetoed by the Governor for policy reasons. HB 1193 of 2004, a similar bill, received an unfavorable report from the House Environmental Matters Committee. HB 1678 of 2006, a similar bill, was heard by the House Environmental Matters Committee, but no further action was taken.

**Cross File:** None.

**Information Source(s):** CarFax.com, Maryland Automobile Insurance Fund, Maryland Department of Transportation, Department of Legislative Services

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