

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

FISCAL AND POLICY NOTE

House Bill 729 (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. To qualify for the reduced renewal fee, the owner(s) must also meet certain income limitations.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would decrease by \$1.9 million in FY 2008 due to reducing registration fees by one-half for qualified vehicles. The State’s share of the loss would be \$1.3 million. Future year revenue reductions reflect a 1% annual increase in the number of registrations. Potential increase in TTF expenditures in FY 2008 only for computer reprogramming costs.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	(\$1,852,100)	(\$2,494,200)	(\$2,519,100)	(\$2,544,300)	(\$2,569,800)
SF Expenditure	-	0	0	0	0
Net Effect	(\$1,852,100)	(\$2,494,200)	(\$2,519,100)	(\$2,544,300)	(\$2,569,800)

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

Local Effect: Local government revenues would decrease by \$555,600 in FY 2008 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

Bill Summary: The annual federal adjusted gross income of each of the owners of the motor vehicle may not exceed \$30,000 or \$60,000 in the case of married individuals filing jointly. In addition, the annual federal adjusted gross income of all of the owners of the vehicle combined must not exceed \$60,000.

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 registers one noncommercial vehicle for a \$10 processing fee for individuals whose income is less than \$19,200 and who are retired or disabled, saving them \$26 per year. 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.

State Revenues: The State exempts essentially the same population as would be affected by this bill from VEIP biennial inspections (except that the VEIP exemption does not incorporate an income eligibility limit). In fiscal 2006, 63,007 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 2008, 63,007 vehicles would be due for registration renewal in fiscal 2008. It is not known how many individuals would meet the income requirement under the bill. However, U.S. Census data indicate that approximately 69% of

households where the head of the household is over 65 have a household income of less than \$60,000.

Accordingly, TTF revenues would decrease by \$1.9 million in fiscal 2008 from the discounted registration fees. This takes into account the October 1, 2007 effective date of the bill. Revenues would decrease by \$2.5 million in fiscal 2009 through 2011 and by \$2.6 million in fiscal 2012.

This estimate is based on the following assumptions:

- a 1% annual growth rate in the number of eligible registrations;
- approximately 69% of owners who are at least 70 or certified as disabled have household incomes and individual incomes that qualify for a reduction (or 43,495 individuals); and
- a biennial weighted average for registration fees of \$114 (based on a February 2006 average of Class A and Class M registrations for vehicles with both owners older than 70).

Seventy percent of registration fees are retained by the TTF. The State portion of the loss is \$1.3 million in fiscal 2008, increasing to \$1.8 million in fiscal 2012.

State Expenditures: The bill specifies that certification must be made on a form provided by the MVA. The bill does not address whether the MVA could require additional backup documentation to prove income or whether a visit to the MVA would be required for proper examination of any documents such as an original signed copy of a tax return.

The population subject to this bill, by definition, does not drive extensively and is less mobile than the general population. This population is already allowed to self-certify their qualification for a VEIP waiver, including through the Internet and over the phone. As such, requiring an individual to travel to the MVA to provide additional documentation proving federal gross adjusted income would impose a hardship. Therefore, it is assumed that the MVA would allow individuals to self-certify their income level and enclose copies, not originals, of any documents required.

If individuals are permitted to self-certify, then certification could be handled by revising forms. In addition, the MVA advises that computer reprogramming to adjust its online registration programming to allow self-certification over the Internet could total as much as \$240,000.

The MVA also advises that it would cost \$90,000 to make other internal computer programming changes in fiscal 2008 to implement this bill. Legislative Services 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 \$555,639 in fiscal 2008, \$748,260 in fiscal 2009, \$755,743 in fiscal 2010, \$763,300 in fiscal 2011, and \$770,933 in fiscal 2012.

Additional Information

Prior Introductions: A similar bill, HB 365 of 2006, was heard by the House Environmental Matters Committee but no further action was taken. Its cross file, SB 161, was reported unfavorably by the Senate Judicial Proceedings Committee. Similar bills were heard during the 2005 session, SB 201 and HB 58, but received unfavorable reports from Judicial Proceedings and Environmental Matters, respectively.

Cross File: None.

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, Comptroller's Office, Department of Disabilities, Department of Aging, Maryland Department of Transportation, Department of Legislative Services

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