SB 279

Department of Legislative Services

Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

Senate Bill 279 (Senator Middleton)
Budget and Taxation Ways and Means

Motor Homes and Travel Trailers - Vehicle Excise Tax - Definitions - Repeal of Sunset

This bill repeals the June 30, 2007 termination date applicable to the reduction of the total purchase price of a motor home or travel trailer by the value of a trade-in for the purpose of calculating the motor vehicle excise tax.

The bill takes effect June 1, 2007.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues would decrease by $1.4 million annually beginning in FY 2008; the State's share would decrease by $1.1 million. Expenditures would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	($1,446,600)	($1,446,600)	($1,446,600)	($1,446,600)	($1,446,600)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($1,446,600)	($1,446,600)	($1,446,600)	($1,446,600)	($1,446,600)

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

Local Effect: Local government revenues would decrease by $347,200 annually beginning in FY 2008. Expenditures would not be affected.

Small Business Effect: Minimal overall, but potentially significant for recreational vehicle dealers.

Analysis

Current Law: 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.

Chapter 361 of 2001 reduced the total purchase price of motor homes and travel trailers used to determine the motor vehicle excise tax by the value of a trade-in, subject to certain limits. In the case of motor homes and travel trailers, the total purchase price is the price of a motor home and travel trailer, less the value of any motor home or travel trailer traded in as part of the consideration of the sale. This trade-in allowance is not to exceed the value shown in a national magazine of used motor home and travel trailer values.

The tax credit for trade-in vehicles was not applicable until any Consolidated Transportation Bonds that were issued by the Maryland Department of Transportation (MDOT) before July 1, 2001 no longer remain outstanding and unpaid, unless there are funds appropriated each year to ensure payment of the principal and interest of such bonds. The reduction applied to motor homes and travel trailers which incur tax liability between July 1, 2001 and June 30, 2004. Chapter 545 of 2004 extended the reduction until June 30, 2007.

Twenty percent of titling tax revenue is distributed directly to 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 jurisdictions. 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.

Background: Several nearby states, including Pennsylvania, Delaware, and South Carolina, allow trade-in values to be applied to the total purchase price. Pennsylvania, which charges a 6% sales tax, allows the value "of any tangible personal property" to be deducted from the purchase price. Similarly, Delaware, which charges a 2.75% vehicle document fee rather than a sales tax, permits a trade-in allowance if the name on the title of the trade-in vehicle is the same as that of the purchased vehicle. South Carolina allows up to $300 of the value of a trade-in to be deducted from the purchase price.

State Revenues: The Motor Vehicle Administration advises that in fiscal 2006, the value of trade-ins for motor homes and travel trailers was $28.9 million. Assuming that the value of motor homes and travel trailers used as a trade-in stayed constant at fiscal 2006 levels, State revenues would decrease by $1.4 million annually beginning in fiscal 2008. The loss to the TTF would be $1.1 million annually.

Local Revenues: Local governments receive 24% of the motor vehicle excise tax as highway user revenues; according, local revenues would decrease by $347,200 annually beginning in fiscal 2008.

Additional Information

Prior Introductions: None.

Cross File: Although not designated a cross file, HB 929 is identical.

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

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