

**Department of Legislative Services**  
Maryland General Assembly  
2008 Session

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

Senate Bill 300

(Chair, Budget and Taxation Committee)

(By Request – Departmental – Transportation)

Budget and Taxation

Ways and Means

---

**Motor Vehicle Excise Tax - Exemption for Returning Military Members**

---

This departmental bill expands the eligibility of the motor vehicle excise tax credit to include a member of the military who returns to Maryland from, or on, active duty and, within a year, applies for titling and registration of a vehicle previously titled and registered in another state.

---

**Fiscal Summary**

**State Effect:** Transportation Trust Fund revenues could decrease by \$165,200 in FY 2009 and by \$238,400 in FY 2013 from reduced motor vehicle excise tax collections. Future year revenues reflect inflation and annualization. Expenditures would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	(\$165,200)	(\$224,600)	(\$229,100)	(\$233,700)	(\$238,400)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$165,200)	(\$224,600)	(\$229,100)	(\$233,700)	(\$238,400)

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

**Local Effect:** Local highway user revenues could decrease by \$41,300 in FY 2009 and by \$59,600 in FY 2013. Local expenditures would not be affected.

**Small Business Effect:** The Maryland Department of Transportation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

---

## Analysis

**Current Law:** A motor vehicle excise tax is imposed for each original and subsequent certificate of title issued in Maryland for a motor vehicle, trailer, or semi-trailer. The vehicle excise tax is applied to the purchase price or fair market value of all new and used motor vehicles at the time of sale. Chapter 6 of the 2007 special session increased the vehicle excise tax rate from 5% to 6%, and the Motor Vehicle Administration is responsible for its administration and collection.

Under current law, if the present owner has not been a Maryland resident for more than 60 days or is a member of the military on active duty and has not been a Maryland resident for more than a year, then the motor vehicle excise tax rate is calculated as follows:

- if the Maryland tax rate is greater than the previous state's rate, the difference between the Maryland tax rate and the tax rate where the vehicle was previously titled/registered (minimum tax of \$100), or
- if the Maryland tax rate is less than or equal to the previous state's rate, \$100.

**Background:** The Transportation Trust Fund (TTF) is a nonlapsing special fund that provides funding to the Maryland Department of Transportation. The fund consists of tax and fee revenues, operating revenues, and fund transfers. The tax and fee revenues include vehicle registration fees and titling taxes; as well motor fuel taxes, rental car sales taxes, and corporate income taxes. A portion of these revenues are credited to the GMVRA. HB 5 of the 2007 special session amended the distribution of revenues. Under current law, 33% of the vehicle titling tax is credited to the TTF, and 67% is credited to the GMVRA. Of the amount in the GMVRA, the funds are split 70% to the TTF and 30% to local jurisdictions. As a result, 20% of the funds in the GMVRA are distributed to local jurisdictions as highway user revenues; the rest is retained at the State level.

At the present time, active military personnel whose legal residence is in Maryland are assessed the 6% Maryland motor vehicle excise tax if they seek to title and register a vehicle in the State.

**State Fiscal Effect:** TTF revenues could decrease by approximately \$165,200 in fiscal 2009 and by \$238,400 in fiscal 2013 as a result of expanding the out-of-state excise tax credit to active military members returning to the State. DLS advises that projections regarding the number of military personnel potentially returning can vary substantially in a given year based on factors that can include military defense, planning, and mission

requirements. DLS estimates that 750 individuals will be affected annually. **Exhibit 1** shows the projected revenue loss for fiscal 2009 through 2013.

**Local Fiscal Effect:** Local highway user revenues could decrease by \$41,300 in fiscal 2009 and by \$59,600 in fiscal 2013. **Exhibit 2** shows the potential impact for each jurisdiction.

---

## Additional Information

**Prior Introductions:** None.

**Cross File:** HB 669 (Delegate F. Turner, *et al.*) – Ways and Means.

**Information Source(s):** Maryland Department of Transportation, Department of Legislative Services

**Fiscal Note History:** First Reader - February 4, 2008  
ncs/hlb Revised - Senate Third Reader - March 22, 2008

---

Analysis by: Michael P. Lee

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510

---

**Exhibit 1**  
**SB 300 Motor Vehicle Excise Tax – Exemption for Returning Military Members**

Average Used Car Price (2009)	\$8,884				
Excise Tax Rate	6%				
Excise Tax Paid	\$533				
Average Out-of-state Excise Tax Amount	\$166				
Revenue Decrease per Transaction	\$367				
Annual Transactions	750				
<b>Annual Revenue Loss</b>	<b>\$275,279</b>				
State Share (80%)	\$220,223				
Local Share (20%)	\$55,056				
	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>	<b><u>FY 2011</u></b>	<b><u>FY 2012</u></b>	<b><u>FY 2013</u></b>
State Portion (80%)	\$165,167	\$224,628	\$229,120	\$233,703	\$238,377
Local Portion (20%)	<u>41,292</u>	<u>56,157</u>	<u>57,280</u>	<u>58,426</u>	<u>59,594</u>
<b>Total</b>	<b>\$206,459</b>	<b>\$280,785</b>	<b>\$286,400</b>	<b>\$292,129</b>	<b>\$297,971</b>

---

---

**Exhibit 2**  
**Impact on Local Highway User Revenues**

	<b>State Aid – Current Law</b>	<b>Projected Revenue Decrease</b>	
<b>County</b>	<b>FY 2009</b>	<b>FY 2009</b>	<b>FY 2013</b>
Allegany	\$7,295,919	-\$500	-\$800
Anne Arundel	31,378,494	-2,300	-3,300
Baltimore City	224,770,000	-17,300	-25,300
Baltimore	42,661,872	-3,200	-4,500
Calvert	6,435,196	-500	-700
Caroline	5,041,718	-400	-500
Carroll	14,265,957	-1,100	-1,500
Cecil	7,885,347	-600	-800
Charles	10,120,811	-700	-1,100
Dorchester	5,589,187	-400	-600
Frederick	18,729,841	-1,400	-2,000
Garrett	6,314,245	-500	-700
Harford	16,519,885	-1,200	-1,700
Howard	15,775,464	-1,200	-1,700
Kent	2,833,254	-200	-300
Montgomery	44,509,977	-3,300	-4,700
Prince George's	38,815,215	-2,900	-4,100
Queen Anne's	5,820,492	-400	-600
St. Mary's	7,765,482	-600	-800
Somerset	3,358,236	-200	-400
Talbot	4,607,031	-300	-500
Washington	12,057,517	-900	-1,300
Wicomico	9,208,121	-700	-1,000
Worcester	6,914,858	-500	-700
<b>Total</b>	<b>\$548,674,119</b>	<b>-\$41,300</b>	<b>-\$59,600</b>

---