

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 790 (Senator Forehand)
Judicial Proceedings

Vehicle Laws - Titling and Electronic Transmission of Certificates of Title - Off-Highway Recreational Vehicles

This bill requires the owner of each off-highway recreational vehicle in the State to have a certificate of title issued, which has to be made by electronic transmission. The excise tax imposed on the certificate of title issued for an OHRV is based on the fair market value, which is set as the total purchase price or \$320, whichever is greater. OHRVs are excepted from the requirement that a licensed dealer that also is an inspection station prepare and attach an inspection certificate to a window of the vehicle. In addition, the bill expands the universe of those authorized to use the MVA electronic vehicle data transmission system to include licensed title service agents.

Fiscal Summary

State Effect: General fund revenues could decrease \$1.7 million in FY 2009 and by more than \$2.3 million annually thereafter due to lost sales tax revenue. Transportation Trust Fund revenues could increase by \$19.5 million in FY 2009 and by \$2.8 million or more annually thereafter due to an increase in titling tax revenues and title and lien fees. The State's share of TTF revenues would be \$16.1 million in FY 2009 and \$2.3 million or more annually thereafter. TTF out-year revenues are substantially lower because only new or resold OHRVs would be subject to the titling taxes and fees. TTF expenditures could increase by \$112,600 in FY 2009 due to the one-time cost of hiring two additional contractual personnel and for a public awareness campaign and communication costs.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$1,683,000)	(\$2,329,300)	(\$2,417,900)	(\$2,509,600)	(\$2,605,000)
SF Revenue	19,495,000	2,761,100	2,866,200	2,974,900	3,087,900
SF Expenditure	112,600	0	0	0	0
Net Effect	\$17,699,400	\$431,800	\$448,300	\$465,300	\$482,900

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

Local Effect: Local revenues could increase by \$3,360,000 in FY 2009 and by \$500,000 or more annually thereafter due to an increase in titling tax revenues distributed through the Gasoline and Motor Vehicle Revenue Account as highway user revenues. Local expenditures would not be affected.

Small Business Effect: None.

Analysis

Bill Summary: An “off-highway recreational vehicle” is defined as • a motorized vehicle commonly known as an all-terrain vehicle designed to carry the operator and up to one passenger; • a motorcycle designed for off-highway operation that is commonly known as a dirt bike and that is not a Class D (motorcycle) vehicle; or • a snowmobile. An OHRV is not a farm vehicle or any vehicle used for landscaping, gardening, or lawn care.

Current Law: A “vehicle” is defined as a device in, on, or by which an individual or property is or might be transported or towed on a highway. Such vehicles, with some exceptions, must be titled. As OHRVs are not intended for highway use, they are not currently required to be titled.

The application for a vehicle certificate of title has to be made by the owner of the vehicle on the form that the administration requires. However, MVA is authorized to develop and implement an electronic system for the issuance of certificates of title and the recording and releasing of security interests. The electronic system is designed to transmit vehicle data to and from licensed dealers.

When a licensed dealer that also is an inspection station transfers a used vehicle, it is required to prepare and attach an inspection certificate to a window of the vehicle or have one prepared and attached by another inspection station. Vehicles excepted from this requirement include a • used Class E (truck) exceeding three-fourths ton manufacturer’s rated capacity; • Class F (tractor); • Class G (freight trailer or semitrailer); • Class G (dump service semitrailer); or • Class K (farm area/island) vehicle.

All off-highway vehicles used on lands under the control of the Department of Natural Resources must be registered with the agency for an annual fee; the revenues from that fee are used to acquire and maintain areas for these vehicles. For these purposes, off-highway vehicles are defined as four-wheel drive or low-pressure tire vehicles, automobiles, trucks, motorcycles and related two-wheel vehicles, amphibious machines, ground-effect or air-cushion vehicles, snowmobiles, boats, farm-type tractors,

earth-moving or construction equipment, lawn mowers, snowblowers, garden or lawn tractors, or golf carts.

DNR is responsible for identifying areas where the public can use motorcycles, all-terrain vehicles, snowmobiles, and other off-road vehicles. If a motor-driven off-highway vehicle is not subject to registration, it must meet the noise level standards set by DNR. Otherwise, it cannot be sold, leased, or distributed in the State. Snowmobiles and off-the-road motorcycles are not subject to registration by the State, although counties and Baltimore City may register off-the-road motorcycles.

In addition to any other charge required by the Maryland Vehicle Law, an excise tax is imposed on each original and subsequent certificate of title issued in this State for a motor vehicle, trailer, or semitrailer. Except for vehicles engaged in interstate operation registered or titled in another state, excise taxes imposed on a vehicle owner are paid to MVA before the issuance of a certificate of title for that vehicle. The excise tax is based on the fair market value of the vehicle which, except in the case of a used trailer, is equal to the total purchase price of the vehicle, or \$640, whichever is greater. Any person who fails to pay the excise tax is guilty of a misdemeanor and on conviction, subject to a fine of up to \$1,000.

Beginning July 1, 2008, the vehicle excise (titling) tax will be distributed one-third to TTF and two-thirds to the Gasoline and Motor Vehicle Revenue Account. Of the two-thirds distributed to GMVRA, 70% is retained within TTF and the balance is distributed to local governments as highway user revenues. In effect, 80% of vehicle excise taxes are retained by TTF and 20% are distributed to local jurisdictions. In addition, beginning July 1, 2008 a portion of sales tax revenues (6.5%) is shared with TTF but is not subject to distribution through GMVRA.

Background: The Motorcycle Industry Council estimates that 14,087 off-highway vehicles are sold in Maryland annually. In fiscal 2005, MVA began titling off-road vehicles on request by dealers and finance companies. Since then, 7,868 off-road vehicles have been titled on this voluntary basis.

State Revenues: General fund revenues could decrease by \$1,683,000 in fiscal 2009 and by more than \$2.3 million annually thereafter due to lost sales tax revenue associated with newly purchased OHRVs. State law prohibits the collection of a sales tax when an excise tax is being collected by TTF. TTF revenues could increase by \$19,495,000 in fiscal 2009 and by more than \$2.7 million annually thereafter due to an increase in titling tax revenues and title and lien fees. Out-year general fund revenues reflect annualization and sales growth. Out-year TTF revenues reflect titling taxes and fees associated with the sale or resale of OHRVs, rather than the titling of all OHRVs as is required by the bill in fiscal 2009. The initial TTF impact is largely due to titling all existing OHRVs.

The above estimates are based on the following information and assumptions:

- an average of 8,000 new and used OHRVs would be purchased annually with a 3.8% annual growth rate in sales, and each would need to be titled and pay the \$50 titling fee;
- the average sales price of an OHRV is \$5,000 and each OHRV would pay \$300 in taxes;
- 10% of the newly purchased OHRVs will be secured by a lien and pay a \$20 lien fee;
- the fiscal 2009 estimate reflects an effective date for the bill of October 1, 2008; and
- based on the number of OHRVs sold in the State each year and a lifespan of more than five years, approximately 50,000 existing OHRVs in the State could need to be titled in fiscal 2009.

The State share of TTF revenues would be \$16,135,000 in fiscal 2009 and \$2,262,840 or more annually thereafter.

State Expenditures: TTF expenditures could increase by an estimated \$112,600 in fiscal 2009 only, which accounts for the bill's October 1, 2008 effective date. This estimate reflects the cost of hiring two contractual customer agents to handle the substantial number of titling transactions that would occur in fiscal 2009. The estimate also reflects the cost of a public awareness campaign to notify the owners of all existing OHRVs in the State about the titling requirement and the cost of communication with them. This estimate is based on the assumption that there are 50,000 existing OHRVs in the State that would be required to be titled in fiscal 2009.

Public Awareness Campaign	\$75,000
Contractual Compensation	20,000
Correspondence	<u>17,600</u>
Total FY 2009 State Expenditures	\$112,600

Thereafter, it is assumed that MVA could absorb the impact of titling new vehicles as it already does so on a voluntary basis. MVA advises that cost to produce certificates of title could be absorbed within existing budgeted resources.

Local Fiscal Effect: Local revenues could increase by \$3, 360,000 in fiscal 2009 and by \$498,240 or more annually thereafter due to increased titling tax revenues distributed

through GMVRA as highway user revenues. The initial impact is largely due to titling all existing OHRVs. Out-years reflect growth in the sales of OHRVs.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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