

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1163 (Delegates Kach and Olszewski)
 Environmental Matters

Vehicle Excise Tax - Vehicles Equipped for Individuals with Mobility Impairments - Exemption

This bill exempts vehicles that are equipped to transport an individual with a mobility impairment from the State motor vehicle excise tax if the vehicle is owned by • an individual with a documented mobility impairment; • an individual who provides transportation for an individual with a documented mobility impairment; or • a nonprofit organization that provides transportation to individuals with documented mobility impairments.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues could decrease by \$13.5 million in FY 2009 from reduced motor vehicle excise tax collections, of which the State’s share is \$10.8 million. 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	(\$13,484,100)	(\$18,518,100)	(\$19,073,600)	(\$19,645,900)	(\$20,235,200)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$13,484,100)	(\$18,518,100)	(\$19,073,600)	(\$19,645,900)	(\$20,235,200)

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

Local Effect: Local highway user revenues could decrease by \$2.7 million in FY 2009 and by \$4.0 million in FY 2013. Local expenditures would not be affected.

Small Business Effect: None.

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.

Background: 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 as motor fuel taxes, rental car sales taxes, and corporate income taxes. A portion of these revenues are credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA).

Under current law, 33% of the motor vehicle excise tax (titling tax) is credited to TTF and 67% is credited to GMVRA. Of the amount in GMVRA, the funds are split 70% to TTF and 30% to local jurisdictions. As a result, 20% of motor vehicle excise taxes are distributed to local jurisdictions as highway user revenues; the rest is retained at the State level.

State Fiscal Effect: TTF revenues could decrease by \$13.5 million in fiscal 2009 and by \$20.2 million in fiscal 2013 as a result of expanding the motor vehicle excise tax exemption to vehicles owned or operated for individuals with mobility impairments. Of this amount, State TTF revenues would decrease by \$10.8 million in fiscal 2009 and local highway user revenues would decrease by \$2.7 million as shown in **Exhibit 1**. This estimate is based on the following information and assumptions:

- 100,000 qualifying vehicles exist in the State;
- qualifying vehicles have a five-year life span;
- in a given year, 20,000 vehicles will be exempt from the motor vehicle excise tax;
- 36% of vehicles sold through dealers are new and have an average price of \$26,437;
- 64% of vehicles are used and have an average price of \$8,539; and
- 6% motor vehicle excise tax rate.

Exhibit 1
Motor Vehicle Excise Tax – Revenue Loss

	<u>Vehicles</u>	<u>Average Price</u>	<u>Excise Tax</u>		
			<u>Rate</u>		
Used Vehicles (64%)	12,800	\$8,539	\$6,557,952		
New Vehicles (36%)	7,200	26,437	11,420,784		
Revenue Decrease			\$17,978,736		
State Share (80%)			\$14,382,989		
Local Share (20%)			3,595,747		
Total TTF Revenues			\$17,978,736		
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
State Share (80%)	\$10,787,242	\$14,814,478	\$15,258,913	\$15,716,680	\$16,188,181
Local Share (20%)	2,696,810	3,703,620	3,814,728	3,929,170	4,047,045
Total TTF Revenues	\$13,484,052	\$18,518,098	\$19,073,641	\$19,645,850	\$20,235,226

Note: Fiscal 2009 estimate reflects an October 1, 2008 effective date.

To the extent that the number of vehicle sales and the number of vehicles qualifying varies from what was used in the estimate, the associated revenue loss would vary accordingly. Future year revenue losses reflect an increase in vehicle purchases.

Local Fiscal Effect: Local highway user revenues could decrease by \$2.7 million in fiscal 2009 and by \$4.0 million in fiscal 2013. **Exhibit 2** shows the potential impact for each jurisdiction.

Exhibit 2
Impact on Local Highway User Revenues

County	State Aid – Current Law	Projected Revenue Decrease	
	FY 2009	FY 2009	FY 2013
Allegany	\$7,295,919	-\$33,200	-\$49,800
Anne Arundel	31,378,494	-142,700	-214,100
Baltimore City	224,770,000	-1,223,600	-1,836,900
Baltimore	42,661,872	-194,000	-291,100
Calvert	6,435,196	-29,300	-43,900
Caroline	5,041,718	-22,900	-34,400
Carroll	14,265,957	-64,900	-97,300
Cecil	7,885,347	-35,900	-53,800
Charles	10,120,811	-46,000	-69,100
Dorchester	5,589,187	-25,400	-38,100
Frederick	18,729,841	-85,200	-127,800
Garrett	6,314,245	-28,700	-43,100
Harford	16,519,885	-75,100	-112,700
Howard	15,775,464	-71,800	-107,600
Kent	2,833,254	-12,900	-19,300
Montgomery	44,509,977	-202,400	-303,700
Prince George's	38,815,215	-176,500	-264,900
Queen Anne's	5,820,492	-26,500	-39,700
St. Mary's	7,765,482	-35,300	-53,000
Somerset	3,358,236	-15,300	-22,900
Talbot	4,607,031	-21,000	-31,400
Washington	12,057,517	-54,800	-82,300
Wicomico	9,208,121	-41,900	-62,800
Worcester	6,914,858	-31,500	-47,200
Total	\$548,674,119	-\$2,696,800	-\$4,046,900

Source: Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: None.

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

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