

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

Senate Bill 733 (Senator Stone)
 Budget and Taxation

Vehicles Equipped for Disabled Individuals - Fees and Taxes

This bill exempts vehicles that are equipped to transport a disabled individual who requires an assistive device to enter, exit, or operate the vehicle from the State motor vehicle excise tax and specified registration fees.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: Transportation Trust Fund revenues could decrease by \$25.6 million in FY 2009 due to reductions in motor vehicle excise tax collection and vehicle registration fees, of which the State’s share is \$19.7 million. Medivac and trauma surcharge revenues would decrease by \$1.4 million annually beginning in FY 2009. Expenditures would not be affected.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
SF Revenue	(\$26,978,700)	(\$27,747,600)	(\$28,539,500)	(\$29,355,200)	(\$30,195,400)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	(\$26,978,700)	(\$27,747,600)	(\$28,539,500)	(\$29,355,200)	(\$30,195,400)

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

Local Effect: Local highway user revenues could decrease by \$5.9 million in FY 2009 and by \$6.6 million in FY 2013. Local expenditures would not be affected.

Small Business Effect: Minimal.

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.

The Transportation Trust Fund 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 GMVRA. House Bill 5 of the 2007 special session amended the distribution of revenues. Under current law, 33% of the vehicle titling tax is credited to TTF and 67% is credited to GMVRA. Of the amount in GMVRA, the funds are split 70% to the TTF and 30% to local jurisdictions.

Registration Fees

All motor vehicles, trailers, and related transportation equipment domiciled within the State must register with MVA. Most vehicles are registered biannually. Vehicles exempt from registration fees generally include those owned by a government agency, including law enforcement vehicles, certain nonprofit organizations, and school vehicles.

Background: MVA indicates that 91,900 licenses in Maryland have a “Class C” restriction, which means the vehicle has to be specially equipped in some manner for the operator to drive. MVA also indicates that almost 4,000 commercial vehicles in the State have disability plates and that 286,500 distinct individuals or companies have at least one disabled tag or placard; however, this does not mean that all of these vehicles are specially equipped with an assistive device.

State Fiscal Effect: Total TTF revenues could decrease by \$25.6 million in fiscal 2009 and by \$28.8 million in fiscal 2013. Of this amount, State TTF revenues would decrease by \$19.7 million in fiscal 2009 and local highway user revenues would decrease by \$5.9 million as shown in **Exhibit 1**. In addition, Medivac and trauma surcharge revenues would decrease by \$1.4 million annually beginning in fiscal 2009.

Exhibit 1
Total Fiscal Impact of SB 733

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
State Share	\$19,737,989	\$20,330,128	\$20,940,032	\$21,568,233	\$22,215,280
Local Share	5,890,747	6,067,470	6,249,494	6,436,979	6,630,088
Total TTF	\$25,628,736	\$26,397,598	\$27,189,526	\$28,005,212	\$28,845,368
Medivac Surcharge	1,350,000	1,350,000	1,350,000	1,350,000	1,350,000
Total Effect	\$26,978,736	\$27,747,598	\$28,539,526	\$29,355,212	\$30,195,368

Motor Vehicle Excise Tax

Transportation Trust Fund revenues could decrease by an estimated \$18.0 million in fiscal 2009, as shown in **Exhibit 2**, due to a reduction in motor vehicle excise taxes. 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.
- 6% motor vehicle excise tax rate.

Exhibit 2
Motor Vehicle Excise Tax – Revenue Loss

	<u>Vehicles</u>	<u>Average Price</u>	<u>Excise Tax 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%)	\$14,382,989	\$14,814,478	\$15,258,913	\$15,716,680	\$16,188,181
Local Share (20%)	3,595,747	3,703,620	3,814,728	3,929,170	4,047,045
Total TTF Revenues	\$17,978,736	\$18,518,098	\$19,073,641	\$19,645,850	\$20,235,226

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.

Registration Fees

Transportation Trust Fund revenues could also decrease by an estimated \$7.7 million in fiscal 2009, as shown in **Exhibit 3**, due to a reduction in vehicle registration fees. This estimate is based on the following information and assumptions:

- 50,000 vehicles are renewed each year.
- The majority of vehicles are over 3,700 pounds and have a registration fee of \$153.

Exhibit 3
Vehicle Registration Fees – Revenue Loss

Vehicles Registered	50,000
Registration Fee	\$153
Revenue Decrease	\$7,650,000
State Share (70%)	\$5,355,000
Local Share (30%)	2,295,000
Total TTF Revenues	\$7,650,000

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
State Share (70%)	\$5,355,000	\$5,515,650	\$5,681,119	\$5,851,554	\$6,027,099
Local Share (30%)	2,295,000	2,363,850	2,434,766	2,507,808	2,583,043
Total TTF Revenues	\$7,650,000	\$7,879,500	\$8,115,885	\$8,359,362	\$8,610,142

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 registrations.

Medivac and Trauma Surcharge

MVA imposes a \$27 Medivac and trauma surcharge for each vehicle registered. The surcharge is distributed to the Maryland Emergency Medical Services Operations Fund and the Trauma Physicians Services Fund to support the State’s emergency medical services system. Assuming 50,000 vehicles would be registered each year, special fund revenues could decrease by \$1.35 million annually.

Local Fiscal Effect: Local highway user revenues could decrease by \$5.9 million in fiscal 2009 and by \$6.6 million in fiscal 2013. **Exhibit 4** shows the potential impact for each jurisdiction.

Exhibit 4
Impact on Local Highway User Revenues

<u>County</u>	State Aid – Current Law	Projected Revenue Decrease	
	<u>FY 2009</u>	<u>FY 2009</u>	<u>FY 2013</u>
Allegany	\$7,295,919	-\$72,400	-\$81,500
Anne Arundel	31,378,494	-311,600	-350,700
Baltimore City	224,770,000	-2,674,400	-3,010,300
Baltimore	42,661,872	-423,600	-476,800
Calvert	6,435,196	-63,900	-71,900
Caroline	5,041,718	-50,100	-56,300
Carroll	14,265,957	-141,700	-159,400
Cecil	7,885,347	-78,300	-88,100
Charles	10,120,811	-100,500	-113,100
Dorchester	5,589,187	-55,500	-62,500
Frederick	18,729,841	-186,000	-209,300
Garrett	6,314,245	-62,700	-70,600
Harford	16,519,885	-164,000	-184,600
Howard	15,775,464	-156,600	-176,300
Kent	2,833,254	-28,100	-31,700
Montgomery	44,509,977	-442,000	-497,400
Prince George's	38,815,215	-385,400	-433,800
Queen Anne's	5,820,492	-57,800	-65,000
St. Mary's	7,765,482	-77,100	-86,800
Somerset	3,358,236	-33,300	-37,500
Talbot	4,607,031	-45,700	-51,500
Washington	12,057,517	-119,700	-134,700
Wicomico	9,208,121	-91,400	-102,900
Worcester	6,914,858	-68,700	-77,300
Total	\$548,674,119	-\$5,890,500	-\$6,630,000

Additional Information

Prior Introductions: None.

Cross File: None.

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