SB 924

Department of Legislative Services

Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 924 (Senator Peters)
Budget and Taxation Ways and Means

Motor Vehicle Excise Tax - Leased Vehicles - Application of Trade-In Value

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This emergency bill provides that an individual trading in a nonleased vehicle as part of a vehicle lease agreement is eligible for a trade-in allowance against the motor vehicle excise tax. This trade-in allowance applies to any leasing agreement entered into after December 31, 2007 with duration of more than 180 days. The Motor Vehicle Administration is required to adopt regulations to implement the bill; and, in consultation with automobile dealers, notify any person due a rebate from any leasing agreement entered into from January 1, 2008 through the effective date of the bill.

Fiscal Summary

State Effect: Transportation Trust Fund revenues could decrease by $180,700 in FY 2008, of which the State's share is $144,600. Future years reflect annualization and estimated number of refunds. Potential additional TTF expenditures in FY 2008 due to computer reprogramming and notification expenditures at MVA.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
SF Revenue	($180,700)	($378,700)	($374,000)	($374,900)	($374,100)
SF Expenditure	20,000	-	0	0	0
Net Effect	($200,700)	($378,700)	($374,000)	($374,900)	($374,100)

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

Local Effect: Local highway user revenues would decrease by $36,100 in FY 2008 and by $74,800 in FY 2012. Local expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current 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.

Chapter 6 of the 2007 special session increased the vehicle excise tax rate from 5% to 6% of the vehicle's purchase price or fair market value and allows for a reduction in the amount subject to the tax by 100% of the value of a trade-in.

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 trade-in allowance enacted by Chapter 6 of the 2007 special session provided individuals buying a vehicle with a reduction in the value amount of the vehicle that is subject to the tax equal to 100% of the value of the trade-in. This trade-in allowance does not currently apply to a person who trades a vehicle in as part of a new leasing agreement.

State Revenues: The bill provides that individuals who trade in a nonleased vehicle as part of a vehicle lease agreement are eligible for a trade-in allowance against the motor vehicle excise tax. As a result, TTF revenues would decrease by $180,700 in fiscal 2008, of which the State's share is $144,600. This estimate is based on the following facts and assumptions:

- 61,294 vehicles are currently being leased.
- Approximately 17,500 new lease registrations in 2008.
- 5% of these new lease registrations would have a trade-in with an average value of $6,831.

Future year revenue losses reflect changes in the projected number of vehicle sales and annualization. MVA advises that it does not have a dedicated field to designate whether a vehicle is leased or purchased and that the estimate may not fully capture the total number of leased vehicles. Revenue losses could be greater than estimated to the extent that there are additional numbers of leases beyond that estimated by MVA.

Exhibit 1
Fiscal Impact of Tax Refund for Leased Vehicles

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
TTF	$180,700	$378,700	$374,000	$374,900	$374,100
State Share	144,560	302,960	299,200	299,920	299,280
Local Share	36,140	75,740	74,800	74,980	74,820

State Expenditures: MVA advises that computer programming modifications would be needed to meet the bill's requirements. The changes could result in a one-time special fund expenditure of $90,000 in fiscal 2008. Legislative Services advises that if other legislation is passed requiring computer reprogramming changes, economies of scale could be realized. This would reduce the costs associated with this bill and other legislation affecting vehicle titling.

The bill also requires MVA to notify individuals if they are eligible for a titling tax refund. MVA estimates that it would incur a one-time special fund expenditure of $20,000 in fiscal 2008 to notify these individuals.

Additional Information

Prior Introductions: None.

Cross File: HB 1570 (Delegates Frick and Barve) – Ways and Means.

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

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