

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 1195 (Delegate Taylor, *et al.*)
 Environmental Matters

Vehicle Laws - Off-Highway Recreational Vehicles - Titling

This bill requires an off-highway recreational vehicle purchased after October 1, 2008 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: Transportation Trust Fund revenues could increase by \$2.0 million in FY 2009 due to an increase in motor vehicle excise tax revenues and title and lien fees. General fund revenues could decrease \$1.7 million in FY 2009 due to lost sales tax revenue. The State's share of TTF revenues would be \$1.6 million in FY 2009. Expenditures would not be affected. Out-years reflect annualization and growth in sales.

(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	1,995,000	2,761,100	2,866,200	2,974,900	3,087,900
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$312,000	\$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 \$360,000 in FY 2009 and by approximately \$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 GMVRA. 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 revenue (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 Fiscal Effect: TTF revenues could increase by \$1,995,000 in fiscal 2009 due to an increase in titling tax revenues and title and lien fees. General fund revenues could decrease by \$1,683,000 in fiscal 2009 due to lost sales tax revenue; State law prohibits the collection of a sales tax when an excise tax is being collected by TTF. MVA advises that the \$700 necessary to produce certificates of title could be absorbed within existing budgeted resources and that there would be no other expenditure impact since MVA already titles such vehicles on request. These estimates reflect the October 1, 2008 effective date; out-year revenue impacts reflect annualization and growth in sales of OHRVs.

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

- 6,000 new OHRVs would be sold by dealers in Maryland from July 1, 2008 to June 30, 2009;
- 2,000 used OHRVs would be resold from July 1, 2008 to June 30, 2009;
- 75%, or 6,000 of the total number of OHRVs purchased in fiscal 2008 would be purchased between October 1, 2008 and June 30, 2009, and would therefore be subject to titling requirements (payment of excise taxes and a \$50 titling fee) beginning in fiscal 2009;
- 3.8% growth annually in sales and resales of OHRVs;
- an average sales price of \$5,000 per vehicle with an average excise tax of \$300;
- 10% of OHRVs will be secured by a lien and pay a \$20 lien fee; and
- OHRVs are exempt from the Maryland Vehicle Emissions Inspection Program.

Legislative Services advises that the vehicle count on which this estimate is based does not include snowmobiles; therefore, the revenue impact could be slightly greater.

Local Fiscal Effect: Local revenues could increase by \$360,000 in fiscal 2009, \$498,240 in fiscal 2010, \$517,200 in fiscal 2011, \$536,820 in fiscal 2012, and \$557,220 in fiscal 2013 due to 20% of titling tax revenues for OHRVs distributed as highway user revenues.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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mll/ljm

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