

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 624

(Senators Forehand and Montgomery)

Judicial Proceedings

**Motor Vehicles - Motor Scooters, Mopeds, and Off-Highway Recreational
Vehicles - Titling and Required Use of Protective Headgear**

This bill incorporates a moped and motor scooter within the definition of a vehicle and, as such, requires such vehicles to be titled. Thus, an excise tax must generally be imposed on any moped and motor scooter for which sales and use tax is not collected at the time of purchase. On issuance of a title for a moped, motor scooter, or an off-highway recreational vehicle (OHRV), the Motor Vehicle Administration (MVA) is required to issue a permanent decal with a unique number sequence, which must be displayed on the vehicle in order to operate. The bill expands the current helmet requirements that apply to bicycle operators and to bicycle passengers younger than age 16 to apply also to anyone operating or riding a moped, motor scooter, or OHRV.

The bill takes effect January 1, 2013.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues may increase in FY 2013, potentially significantly, due to collection of title fees, title lien fees, new decal fees, and excise taxes, but partially offset by the reduction in title fees for OHRVs, as discussed below. However, TTF revenues likely decrease beginning in FY 2014 as the loss of title fee revenue for OHRVs more than offset any increase in revenue associated with the titling of mopeds and motor scooters. General fund revenues decrease to a lesser extent in FY 2013 due to lost sales and use tax revenue associated with newly purchased mopeds and motor scooters. TTF expenditures increase beginning in FY 2013, for MVA to hire one permanent and three contractual customer agents to handle additional transactions. Potential significant general and federal fund expenditure savings beginning in FY 2013 for the Department of Health and Mental Hygiene (DHMH) to the extent the bill reduces debilitating injuries from motor scooter, moped, and OHRV

accidents. Any additional caseload associated with the bill's titling requirement can likely be handled with existing resources.

Local Effect: Local revenues increase minimally due to the distribution of additional highway user revenues.

Small Business Effect: Potential minimal effect on small business moped, motor scooter dealers, and helmet retailers.

Analysis

Bill Summary: The bill requires the title application for a moped or motor scooter to be submitted to MVA electronically and requires MVA to establish a fee for the issuance of a title decal. In addition, the bill sets a title fee for mopeds and motor scooters at \$20, and lowers the title fee for OHRVs from the generally applicable \$100 fee, to the separate \$20 fee established for mopeds and motor scooters.

For purposes of determining the vehicle title excise tax, the bill specifies that the fair market value of a motor scooter or a moped is the greater of the purchase price or \$320.

Current Law: A “motor scooter” is a nonpedal vehicle that meets certain technical specifications including a motor that is under a specified horsepower or displacement capacity. A motor scooter may not be operated at more than 30 miles per hour or on a roadway with a maximum speed limit of more than 50 miles per hour. A “moped” is a bicycle with pedals and either two or three wheels (one of which is at least 14 inches in diameter), and which is assisted by a motor of at most 1.5 horsepower, or 50 cubic centimeters capacity if the motor is an internal combustion engine.

An “OHRV” is defined as (1) a motorized vehicle commonly known as an all-terrain vehicle designed to carry the operator and up to one passenger; (2) 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 (3) a snowmobile. An OHRV is not a farm vehicle or any vehicle used for landscaping, gardening, or lawn care. Chapter 304 of 2010 incorporated an OHRV within the definition of a vehicle and, as such, subjected these vehicles to the requirement to be titled and pay an excise tax; the fair market value on which an excise tax is imposed is the greater of the purchase price or \$320. The application for certificate of title must be made by electronic transmission.

Mopeds and motor scooters are not defined as a “motor vehicle” under the Transportation Article. 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 and registered. A person may not operate a moped or motor scooter if the person does not possess a driver's license or moped operator's permit. Motor scooters and mopeds are not subject to the same requirements as other vehicles for equipment standards, inspections, including VEIP, and the required security provisions. In addition, mopeds and motor scooters are subject to separate rules of the road, which are generally similar to those applicable to bicycles.

Maryland law has established no helmet requirement for motor scooters or mopeds. However, the Administrator of MVA is authorized to approve or disapprove of the protective headgear required for *motorcycle* operators and may adopt and enforce regulations that establish protective headgear standards. Children younger than age 16 who are riding on a bicycle, including as a passenger in a restraining seat attached to the bicycle or in a trailer being towed by the bicycle must also wear a helmet at all times while a bicycle is on a highway, bicycle way, or other property open to the public or used by the public for pedestrian or vehicular traffic. The helmet must meet or exceed the standards of the American National Standards Institute, the Snell Memorial Foundation, or the American Society for Testing and Materials for protective headgear for use in bicycling.

Background: Recent spikes in gas prices have contributed to the popularity of mopeds and motor scooters. Also, many people regard these vehicles as more efficient than automobiles for short trips. They can achieve about 70 miles per gallon of gas or more and are also considered more environmentally friendly than most automobiles. However, traffic safety advocates have expressed concerns about the increasing number of mopeds and motor scooters on high-speed thoroughfares since they cannot achieve the speeds of automobiles, making integration with automobile traffic difficult.

The laws concerning helmet use for mopeds and motor scooters vary widely because states define mopeds and motor scooters differently. Many states include motor scooters in the definition of "motor driven cycle" along with motorcycles. According to the Insurance Institute for Highway Safety, 22 states have motorcycle laws that cover all "low-power cycles" – motor-driven cycles, mopeds, scooters, and various other two-wheeled cycles typically excluded from the definition of motorcycle. Twenty-five states and the District of Columbia have laws that cover some low-power cycles. Twenty states (including Maryland) and the District of Columbia require all motorcyclists to wear a helmet, while 27 states require only riders younger than a specified age to wear helmets. The threshold age ranges from 14 to 20. Three states (Illinois, Iowa, and New Hampshire) do not require motorcycle riders to wear protective headgear.

The Department of Natural Resources (DNR) advises that, currently, it is difficult for law enforcement personnel to identify the lawful owner of mopeds, motor scooters, and

OHRVs. The decal required by the bill may assist in law enforcement efforts to prevent theft. DNR also advises that it currently issues a decal to OHRVs that use designated trails on DNR property.

State Fiscal Effect: The bill requires the titling of mopeds and motor scooters and the issuance by MVA of a decal for these vehicles, as well as for OHRVs. Legislative Services advises that, without additional data regarding the number of existing vehicles and sales projections, a reliable fiscal estimate cannot be made. Nevertheless, TTF revenues will likely increase in fiscal 2013 – potentially significantly – due to the collection of title fees, title lien fees, decal fees (for which MVA advises it will charge \$5), and excise taxes. The additional TTF revenues will be partially offset by the significant reduction in title fee revenues collected from OHRVs in fiscal 2013, accounting for the bill’s January 1, 2013 effective date; in future years the loss in title fee revenues from OHRVs will likely fully offset the increase in TTF revenues from other sources, resulting in a potentially significant decrease in net TTF revenues. General fund revenues decrease due to lost sales and use tax revenue associated with newly purchased mopeds and motor scooters as State law prohibits the collection of a sales and use tax when an excise tax is being collected for TTF. *For illustrative purposes only*, TTF and general fund revenues decrease as shown in **Exhibit 1** under the following assumptions:

- according to Motorcycle Industry Council data, an average of 523 motor scooters were purchased between 2010 and 2011, and Legislative Services assumes annual sales of 500 vehicles in fiscal 2013;
- Legislative Services assumes that about 3,500 motor scooters are currently in use in Maryland;
- in the absence of data, it is assumed that the current number of mopeds and moped sales are the same as for motor scooters;
- based on limited data regarding OHRV titling, it is assumed that about 3,500 OHRVs will be purchased in the second half of fiscal 2013, and more than 7,000 annually thereafter;
- in the absence of data, it is assumed that there are 20,000 OHRVs currently in use that will result in the purchase of a new decal as required for use of the vehicle under the bill, of which half will purchase a decal in fiscal 2013 and half in fiscal 2014;
- 2% annual growth is assumed for motor scooter, moped, and OHRV purchases;
- 5% of mopeds, motor scooters, and OHRVs are assumed to be resold each year at a value of half of the price for new vehicles;
- the average purchase price for mopeds and motor scooters is assumed to be \$3,500, with 1% annual inflation for future years;
- the excise tax is only collected on newly purchased mopeds and motor scooters;

- in the first year, all newly purchased motor scooters and 80% of currently owned mopeds and motor scooters will be titled;
- the remaining 20% of currently owned mopeds and motor scooters will not be titled due to ineligibility to operate a moped or motor scooter;
- MVA title fees are \$100 and title lien fees are \$20;
- OHRVs only pay \$80 less in title fees under the bill;
- MVA establishes a decal fee of \$5 to offset the cost of the decal issuance; and
- MVA estimates that 10% of mopeds and motor scooters are secured with a lien.

Exhibit 1
Illustrative Revenue Sources and Collection Estimates

<u>Sources of Revenue</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
New Decal Fees	\$105,400	\$104,390	\$55,520	\$56,680	\$57,870
Net Title Fee Revenue	(245,900)	(550,800)	(561,820)	(573,050)	(584,510)
Title Lien Fees	12,810	2,680	2,760	2,830	2,900
Excise Tax Revenue	725,025	247,826	256,329	265,151	274,305
Sales Tax Revenue	(105,000)	(216,342)	(222,876)	(229,606)	(236,540)
<u>Distribution of Revenue</u>					
TTF Net Revenue*	549,000	(211,768)	(263,616)	(265,359)	(266,988)
General Fund Revenue	(105,000)	(216,342)	(222,876)	(229,606)	(236,540)
Net State Revenue	\$444,000	(\$428,110)	(\$486,492)	(\$494,966)	(\$503,529)
Local Share of Excise Tax	\$48,335	\$15,861	\$16,405	\$16,970	\$17,555
Total Net Revenue	\$492,335	(\$412,249)	(\$470,087)	(\$477,996)	(\$485,973)

*Reflects State share only.

Note: Totals may not sum due to rounding.

Source: Department of Legislative Services

MVA Expenditures

Using the same illustrative example and assumptions, TTF expenditures could increase by \$263,684 in fiscal 2013, which accounts for the bill's January 1, 2013 effective date. This illustrative estimate reflects the need to hire two full-time customer agents and retain the services of three contractual employees at MVA during fiscal 2013 only to process the additional transactions. MVA advises that, generally, one customer agent is required

for each additional 10,000 transactions. The three contractual employees would be needed in fiscal 2013 only due to the large initial increase in title transactions for mopeds, motor scooters, and OHRVs.

The estimate includes salaries, fringe benefits, and ongoing operating expenses, including the cost for procuring decals required by the bill and additional title paper as well as postage costs. The estimate also assumes that the number of mopeds currently in Maryland and the sales of new mopeds are the same as for motor scooters, and makes an assumption based on limited data as to the number of OHRVs in Maryland. However, to the extent that the actual numbers differ, the estimate may overstate or understate expenditures for personnel needed to implement the bill. Future year expenditures would reflect full salaries with annual increases, employee turnover, annual increases in ongoing operating expenses, and elimination of contractual staff.

DHMH Expenditures

To the extent the bill reduces debilitating injuries resulting from motor scooter, moped and OHRV accidents, potentially significant savings could be generated for DHMH. Individuals with traumatic brain injuries often receive care in nursing homes, chronic hospitals, and State psychiatric institutions due to a lack of funding for community-based services. Individuals enrolled in the Medicaid program for treatment from traumatic brain injury receive residential and day habilitation and supported employment services at a cost of roughly \$120,000 per enrollee per year. There are insufficient data at this time to estimate the number of traumatic head injuries that could be avoided and the resulting potential savings to the Medicaid program.

If additional Maryland motor scooter, moped and OHRV riders comply with this bill by wearing the specified helmets and there are fewer head injuries as a result, general fund expenditures for the Developmental Disabilities Administration could be reduced because fewer individuals injured before age 21 would need ongoing funding and services. There are insufficient data at this time to reliably estimate the number of injuries that could be avoided and the resulting potential savings.

Local Revenues: *Under the illustrative example and assumptions discussed above,* local revenues may increase by about \$48,335 in fiscal 2013 due to an increase in titling tax revenues distributed through the Gasoline and Motor Vehicle Revenue Account as highway user revenues.

Additional Information

Prior Introductions: None.

Cross File: HB 569 (Delegate Stein, *et al.*) - Environmental Matters.

Information Source(s): Department of Natural Resources, Maryland Department of the Environment, Maryland Institute for Emergency Medical Services Systems, Department of Health and Mental Hygiene, Maryland Insurance Administration, Judiciary (Administrative Office of the Courts), Maryland Automobile Insurance Fund, Department of State Police, Maryland Department of Transportation, Department of Legislative Services

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