

Department of Legislative Services
Maryland General Assembly
2015 Session

FISCAL AND POLICY NOTE

Senate Bill 664 (Senator Ready, *et al.*)
Budget and Taxation

Vehicle-Miles-Traveled Tax and Associated Mandated Devices - Prohibition

This bill prohibits the State or a local jurisdiction from directly or indirectly imposing or levying a vehicle-miles-traveled (VMT) tax, a mileage-based user fee, a global positioning satellite tracking-based toll, or any other similar form of tax. The State or a local jurisdiction may not require the installation of a device in or on a privately owned vehicle to facilitate VMT reporting. The bill does not impact the Comptroller's existing authority to impose certain taxes such as those collected under the International Fuel Tax Agreement (IFTA).

Fiscal Summary

State Effect: To the extent the bill prevents the State from assessing a VMT tax or other similar charge or tax, State revenues decrease; however, any impact cannot be reliably estimated at this time and depends on whether, and to what extent, a tax or fee is not established as a result of the bill.

Local Effect: To the extent the bill prevents a local government from assessing a VMT tax or other similar charge or tax, local revenues decrease; however, any impact cannot be reliably estimated at this time and depends on whether, and to what extent, a tax or fee is not established as a result of the bill.

Small Business Effect: Minimal.

Analysis

Current Law: State law does not address VMT taxes or similar charges or taxes.

The Comptroller may enter into reciprocal agreements with any other state that provide for (1) fuel tax registration of vehicles by motor carriers; (2) establishment of periodic fuel use reporting and fuel use tax payment requirements by motor carriers; and (3) disbursement of money that is collected by the Comptroller and is due to other states based on mileage travelled and fuel used in those states and the respective registration fees of those states.

Motor carriers traveling through Maryland are required by IFTA to pay the equivalent Maryland motor carrier tax based on the number of miles traveled in Maryland regardless of whether they purchase motor fuel in the State. All applicable United States and Canadian motor carriers file mileage, routes, and fuel purchases with IFTA, where calculations are performed as to how much tax is owed to Maryland, based on that information and Maryland's tax rates.

Background: VMT fees are distance-based fees levied on a vehicle user for use of a roadway system. As opposed to tolls, which are facility specific and not necessarily levied strictly on a per-mile basis, these fees are based on the distance driven on a defined network of roadways. In recent years, a growing number of transportation stakeholders have noted the potential of augmenting and eventually replacing fuel taxes with fees based directly on the number of miles motorists drive. By charging users per mile rather than per gallon, VMT fees separate transportation revenues from motor fuel consumption. With increased fuel efficiency, over time the motor fuel tax is expected to become a less reliable source of funding for transportation infrastructure needs. Many states are exploring other possible revenue options to fund transportation projects. No state has imposed a VMT charge on all vehicles; however, several states have undertaken VMT fee pilot projects, including Oregon and Illinois.

State Fiscal Effect: To the extent the bill prevents the State from assessing a VMT tax or other similar charge or tax, State revenues decrease; however, any impact cannot be reliably estimated at this time and depends on whether, and to what extent, a tax or fee is not established as a result of the bill.

The Maryland Transportation Authority (MDTA) advises that tolls charged for the use of the Intercounty Connector roadway may fit the bill's definition of a mileage-based toll and the bill may require MDTA to use a toll table instead. MDTA further advises that the use of the E-ZPass transponder may be considered an electronic device installed to facilitate the reporting of VMT. To the extent the bill limits MDTA's ability to collect tolls and fees, it has a potentially significant impact on nonbudgeted revenues and expenditures; however, any impact cannot be reliably estimated at this time.

Additional Information

Prior Introductions: Similar legislation was introduced in the 2013 and 2014 sessions. HB 277 of 2014 and HB 682 of 2013 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: HB 454 (Delegate Szeliga, *et al.*) - Ways and Means.

Information Source(s): Department of Transportation, U.S. Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2015
min/jrb

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