

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1042 (Delegates Platt and Carr)
 Ways and Means

Vehicle Laws - Excise Tax - Leased Vehicles

This bill specifies that the vehicle excise tax imposed on a vehicle leased for a period of at least 180 days can be paid in monthly installments over the term of the lease agreement.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by \$31.0 million in FY 2017, of which the State’s share is \$29.0 million. TTF expenditures increase by about \$0.7 million in FY 2017 due to implementation costs at the Motor Vehicle Administration (MVA). Future year estimates reflect the estimated delay in vehicle excise taxes paid and ongoing expenses at MVA.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
SF Revenue	(\$31.0)	(\$25.8)	(\$5.2)	\$0	\$0
SF Expenditure	\$0.7	\$0.3	\$0.3	\$0.3	\$0.4
Net Effect	(\$31.7)	(\$26.1)	(\$5.5)	(\$0.3)	(\$0.4)

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

Local Effect: Local highway user revenues will decrease by \$2.0 million in FY 2017, \$1.7 million in FY 2018, and by \$0.3 million in FY 2019. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: A vehicle excise tax is imposed for each original and subsequent certificate of title issued by MVA for a motor vehicle. The tax must be paid in full before the issuance

of the vehicle's certificate of title. A tax of 6% is generally imposed on the fair market value of the vehicle, less an allowance for a vehicle that is traded in, with revenues dedicated to TTF.

State Revenues: The bill allows for the payment of the vehicle excise tax for a leased vehicle in monthly installments. As a result, TTF revenues will decrease by \$31.0 million in fiscal 2017, \$25.8 million in fiscal 2018, and \$5.2 million in fiscal 2019. **Exhibit 1** shows the estimated revenue impact of the bill.

Exhibit 1
State and Local Revenue Impacts
Fiscal 2017-2021
(\$ in Millions)

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
TTF	(\$31.0)	(\$25.8)	(\$5.2)	\$0	\$0
MDOT	(29.0)	(24.1)	(4.9)	0	0
LHUR	(2.0)	(1.7)	(0.3)	0	0

This estimate is based on the following facts and assumptions:

- in fiscal 2015, a total of \$61.9 million in vehicle excise taxes was paid for leased vehicles;
- the average lease term is three years;
- the tax would be paid on a monthly basis for all lease agreements;
- fiscal 2017 reflects the October 1, 2016 effective date of the bill; and
- the number of leases is constant each year.

The bill does not reduce the amount of total vehicle excise taxes paid; as such, the estimated revenue losses reflect a delay in when the taxes are paid relative to current law. It also assumes that any outstanding vehicle excise tax due is collected when an individual does not lease a vehicle for the full term of the lease.

State Expenditures: TTF expenditures may increase by an estimated \$731,900 in fiscal 2017 for MVA to hire one additional customer agent and four accountant trainees to operate a new accounts receivable system and for one-time contractual assistance from an outside vendor to provide computer programming. The estimate includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

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Salaries and Fringe Benefits	\$230,939
Vendor Programming	475,000
Operating Expenses	<u>25,923</u>
Total FY 2017 State Expenditures	\$731,862

Future year estimates reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Local Revenues: Local highway user revenues distributed to all local jurisdictions will decrease by \$2.0 million in fiscal 2017, as shown in Exhibit 1.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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min/jrb

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510