

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 986 (Delegate Beidle)

Environment and Transportation

Budget and Taxation

Vehicle Laws - Trade-In Allowance - Leased Vehicles

This bill allows a person to deduct the trade-in allowance for a leased vehicle for purposes of calculating the vehicle excise tax if the person is purchasing a vehicle or leasing another vehicle from a different leasing company.

Fiscal Summary

State Effect: None. State finances are not expected to be materially impacted.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: A vehicle excise tax of 6% is generally imposed on the total purchase price of a leased or purchased vehicle. The total purchase price of a vehicle purchased from a licensed dealer is the price of the vehicle agreed on by the buyer and seller, including any dealer processing charges, minus an allowance for a trade-in. If a person who leases a vehicle trades in a nonleased vehicle, the total purchase price is the retail value of the vehicle as certified by the dealer, including any dealer processing charges, less an allowance for the trade-in of the nonleased vehicle.

Code of Maryland Regulations 11.15.33.08A(2) specifies that a trade-in allowance may be applied to the total purchase price of a leased vehicle if a person trades in a leased vehicle that is (1) owned by the same leasing company purchasing the vehicle and (2) being assigned to the dealer and is becoming a part of the dealer's inventory for resale. A vehicle

that is acquired by the dealer but not assigned to the dealer does not qualify for the trade-in allowance. The Department of Legislative Services advises that this regulation is inconsistent with current statutory provisions.

Background: The Motor Vehicle Administration (MVA) proposed a regulation similar to this bill that was published for public notice and comment in the October 16, 2015 issue of the *Maryland Register*. On October 19, 2015, the Joint Committee on Administrative, Executive, and Legislative Review notified MVA of its intent to conduct a more detailed study of the regulation and requested that MVA delay its final adoption. The purpose of the requested delay was to provide the committee an opportunity to review whether the statutes under which the regulation was proposed actually authorized the regulation and whether the regulation conformed to legislative intent.

MVA advises that the proposed regulation would have codified an existing practice that has been in place since calendar 2010.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - March 8, 2016
min/jrb

Analysis by: Robert J. Rehrmann

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