

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Enrolled - Revised

House Bill 627
 Ways and Means

(Delegate C. Howard, *et al.*)

Budget and Taxation

Motor Fuel Tax Refund - Demand Response Trips

This bill allows a refund for the motor fuel taxes paid for use by a vehicle that is used only in the transportation system of a local jurisdiction to transport the public via demand response trips. Demand response trips are defined as transporting passengers who are unable to use regular schedule, fixed termini services and includes trips that are required under the federal Americans with Disabilities Act.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by \$796,400 in FY 2018, of which the State’s share is \$742,600. Future year estimates reflect annualization, projected fuel consumption, and motor fuel tax rates. Expenditures are not affected.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	(\$796,400)	(\$1,122,200)	(\$1,171,200)	(\$1,224,200)	(\$1,281,300)
Expenditure	0	0	0	0	0
Net Effect	(\$796,400)	(\$1,122,200)	(\$1,171,200)	(\$1,224,200)	(\$1,281,300)

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

Local Effect: Local jurisdictions will realize a total net savings of \$742,600 in FY 2018. This represents a \$796,400 decrease in motor fuel tax payments and a \$53,800 decrease in local highway user revenues.

Small Business Effect: None.

Analysis

Current Law/Background: Except for specified exceptions, motor fuel purchased to operate a vehicle owned by a local government entity or contractor is subject to the State motor fuel tax. A claim for a refund of the motor fuel tax may be filed for motor fuel that is used by (1) a bus that is used only in the transportation system of a local jurisdiction to transport the public on regular schedules between fixed termini and (2) a transportation system based in the State, in a vehicle that is used to provide transportation to elderly or low-income individuals or individuals with disabilities, if the system is operated by a nonprofit entity. The organization must meet specified requirements, including that the organization receives part of its operating funding from the Maryland Department of Transportation (MDOT) or the Department of Health and Mental Hygiene.

Chapter 397 of 2016 exempted from the motor fuel tax motor fuel that is purchased for use in a school bus (1) owned by a county board of education or (2) used to transport students by a school bus operator under contract with a county board of education.

As of July 1, 2016, the per gallon motor fuel tax rate is equal to 33.5 cents (gasoline and clean-burning fuel), 34.25 cents (special fuel/diesel), and 7.0 cents (aviation and turbine fuel). Except for aviation and turbine fuel, motor fuel taxes are adjusted based on the specified change in the Consumer Price Index (CPI) and a sales and use tax equivalent rate. Current law provides several exemptions from the motor fuel tax based on the entity that consumes the fuel or fuel usage. Claims for refunds from the motor fuel tax may be filed by certain entities if the motor fuel is used for specified purposes.

The revenue generated by the CPI tax and sales and use tax equivalent rate is retained by MDOT. After making specified deductions, the remaining motor fuel tax revenue is distributed 90.4% to MDOT and 9.6% to local governments (7.7% to Baltimore City, 1.5% to county governments, and 0.4% to municipal governments). The funds retained by TTF support MDOT's capital program, debt service, and operating costs. Local governments use highway user revenues to help fund local transportation projects.

Background: Demand response transportation is any nonfixed route system of transporting individuals that typically requires advanced scheduling by the customer and is operated by public entities, nonprofits, and private providers. Multiple State and county programs provide transportation services to individuals with disabilities and the elderly population. Typically, these specialized, curb-to-curb services provide transportation for individuals who are not able to ride fixed-route public transportation (a regular bus or light rail or subway route).

State/Local Fiscal Effect: The bill allows a refund for the motor fuel taxes paid for use by a vehicle that is used only in the transportation system of a local jurisdiction to transport

the public via demand response trips. As a result, TTF revenues will decrease by an estimated \$796,400 in fiscal 2018, of which the State's share is \$742,600, reflecting the bill's October 1, 2017 effective date. **Exhibit 1** shows the impact of the bill on the State and local jurisdictions.

Exhibit 1
State and Local Government Net Impact
Fiscal 2018-2022

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Motor Fuel Taxes	(\$796,400)	(\$1,122,200)	(\$1,171,200)	(\$1,224,200)	(\$1,281,300)
State Effect – MDOT	(\$742,600)	(\$1,049,700)	(\$1,098,000)	(\$1,150,300)	(\$1,206,600)
Local Jurisdictions					
Motor Fuel Taxes	\$796,400	\$1,122,200	\$1,171,200	\$1,224,200	\$1,281,300
LHUR	(53,800)	(72,500)	(73,200)	(73,900)	(74,700)
Net Local Effect	\$742,600	\$1,049,700	\$1,098,000	\$1,150,300	\$1,206,600

MDOT: Maryland Department of Transportation
LHUR: local highway user revenue

This estimate is based on the total amount of motor fuel consumed by local demand response transportation systems, as reported by the Transportation Association of Maryland. It is assumed that motor fuel purchases made by eligible contractors will result in reduced county vendor payments. To the extent these savings are not passed along to counties, the motor fuel tax savings will be less than estimated in Exhibit 1.

Additional Information

Prior Introductions: HB 1588 of 2016 was referred to the House Rules and Executive Nominations Committee, but no further action was taken.

Cross File: None.

Information Source(s): Maryland Department of Transportation; Transportation Association of Maryland; Department of Legislative Services

Fiscal Note History:
mm/jrb

First Reader - February 22, 2017

Third Reader - March 27, 2017

Revised - Amendment(s) - March 27, 2017

Enrolled - May 8, 2017

Revised - Amendment(s) - May 8, 2017

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