

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 449

(Senator Kasemeyer)

Budget and Taxation

Health and Government Operations

Estates and Trusts - Vehicle Transfers - Excise Tax and Fee Exemption

This bill exempts from the motor vehicle excise tax and the titling fee certain vehicles that are transferred without consideration if the vehicle is transferred to or from specified trusts. In addition, the bill provides that, for purposes of certain tax exemptions for property transferred to or from specified trusts, “consideration” does not include the amount of any obligation under other writings encumbering the transferred property.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues may decrease by \$373,000 annually beginning in FY 2018 due to the exemption from the excise tax and titling fee for the transfers of specified vehicles. TTF expenditures increase by \$53,100 in FY 2018 due to computer programming costs at the Motor Vehicle Administration (MVA).

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	(\$373,000)	(\$373,000)	(\$373,000)	(\$373,000)	(\$373,000)
SF Expenditure	\$53,100	\$0	\$0	\$0	\$0
Net Effect	(\$426,100)	(\$373,000)	(\$373,000)	(\$373,000)	(\$373,000)

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

Local Effect: Local highway user revenues decrease by \$25,000 annually beginning in FY 2018. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Bill Summary: The vehicle excise tax and titling fee exemptions apply if a vehicle is transferred without consideration and (1) the transfer is to a trust and the transferor would be exempt from the excise tax if the transferor transferred the vehicle directly to one or more of the beneficiaries of the trust or (2) the transfer is from a trust to one or more of the beneficiaries of the trust and made to a person that would be exempt from the vehicle excise tax under specified circumstances or the transfer is made during the life of the settlor of the trust and the trustee originally acquired the vehicle for adequate consideration.

A vehicle includes (1) a motor vehicle, a trailer, a semitrailer, a moped, a motor scooter, or an off-highway recreational vehicle for which sales and use tax is not collected at the time of purchase or (2) a motor vehicle, trailer, or semitrailer that is in interstate operation and registered without a certificate of title.

Current Law/Background:

Vehicle Excise Tax and Certificate of Title Fees

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. Generally, for each instance in which a vehicle is titled, the MVA assesses a titling fee of \$100.

Exemptions to the vehicle excise tax include a vehicle transferred under certain circumstances, such as repossession under a security agreement, a nonmonetary transfer to certain relatives, a transfer to a legal heir, a transfer for certain business purposes, a leased vehicle transferred to the lessee at the end of a lease term of at least 180 days, an involuntary transfer due to divorce or separation, or a jointly owned vehicle transferred to one of the owners.

Recordation and Transfer Tax Exemption for Transfers without Consideration

The transfer of property without consideration from an estate to specified types of trusts, or from specified types of trusts to one or more beneficiaries under specified circumstances, is exempt from recordation and transfer taxes. For these purposes, "consideration" does not include the amount of any obligation under a mortgage or deed of trust encumbering the transferred property.

State Revenues: The bill exempts from the motor vehicle excise tax and titling fee certain vehicles that are transferred without consideration if the vehicle is transferred to or from

specified trusts. As a result, TTF revenues may decrease by \$373,000 annually beginning in fiscal 2018. **Exhibit 1** details the fiscal impacts of the bill.

Exhibit 1
State Revenue Impacts
Fiscal 2018-2022

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>	<u>FY 2022</u>
Vehicle Excise Tax	(\$336,000)	(\$336,000)	(\$336,000)	(\$336,000)	(\$336,000)
Titling Fee	(37,000)	(37,000)	(37,000)	(37,000)	(37,000)
Total Revenues	(\$373,000)	(\$373,000)	(\$373,000)	(\$373,000)	(\$373,000)

This estimate is based on the following facts and assumptions:

- MVA estimates that a total of 350 vehicles were transferred to a trust in fiscal 2016;
- on average, each vehicle transferred to a trust is transferred to a beneficiary every 15 years; and
- the average value of the vehicle per transfer is \$15,000.

State Expenditures: MVA advises that an outside vendor is required to perform the necessary computer programming changes to implement the bill. As a result, TTF expenditures will increase by \$53,100 in fiscal 2018.

Local Revenues: Local governments receive a portion of vehicle excise tax and titling fee revenues to support the construction and maintenance of local roads and other transportation facilities. Under the assumptions above, local highway user revenues will decrease by \$25,000 annually beginning in fiscal 2018.

Additional Information

Prior Introductions: None.

Cross File: HB 1360 (Delegate Hixson, *et al.*) - Health and Government Operations.

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

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