

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 363 (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 toll based on global-positioning-satellite tracking, or any other similar form of tax. In addition, 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 may decrease. Expenditures are not directly impacted.

Local Effect: To the extent the bill prevents a local government from assessing a VMT tax or decreases local highway user revenues distributed from the Transportation Trust Fund, local revenues may decrease. Local expenditures are not directly impacted.

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 provides 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 traveled 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.

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 or continued as a result of the bill.

The Maryland Transportation Authority (MDTA) advises that tolls charged for the use of the Intercountry Connector/MD 200 and I-95 Express Toll Lanes 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 may potentially significantly impact nonbudgeted revenues and expenditures.

Additional Information

Prior Introductions: SB 284 of 2017, SB 196 of 2016, and SB 664 of 2015 received a hearing in the Senate Budget and Taxation Committee, but no further action was taken. The cross file of SB 664, HB 454, received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

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

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