

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 768 (Senator Ready)
 Judicial Proceedings

Vehicle Laws - Title Service Agents

This bill authorizes a title service agent that collects and remits vehicle excise taxes on behalf of the Motor Vehicle Administration (MVA) to keep the lesser of \$12 per vehicle or 0.6% of the gross excise tax that the title service agent collects. The bill establishes documentation and recordkeeping requirements and requires title service agents to allow MVA representatives and police officers full access to documents and records during business hours. The bill also establishes a process for assessing penalties against title service agents who fail to comply with the bill’s requirements. Finally, the bill increases the surety bond requirement from \$25,000 to \$50,000.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues retained by the State decrease by \$251,700 in FY 2019 and by \$335,600 in subsequent years as title service agents retain a portion of the vehicle excise tax. TTF revenues may increase minimally to the extent that title service agents do not comply with the bill and are penalized by MVA. TTF expenditures increase by \$36,000 in FY 2019 only for reprogramming.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
SF Revenue	(\$251,700)	(\$335,600)	(\$335,600)	(\$335,600)	(\$335,600)
SF Expenditure	\$36,000	\$0	\$0	\$0	\$0
Net Effect	(\$287,700)	(\$335,600)	(\$335,600)	(\$335,600)	(\$335,600)

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

Local Effect: Local highway user revenues distributed through the Gasoline and Motor Vehicle Revenue Account (GMVRA) decrease by \$17,200 in FY 2019 and by \$22,900 in subsequent years. Expenditures are not otherwise affected.

Small Business Effect: Meaningful.

Analysis

Bill Summary: If MVA finds that the records are inadequate or incorrect and that the amount of excise tax collected for MVA on the vehicle sales cannot be determined accurately from the records, MVA must make its own determination using the best information available. This determination is *prima facie* correct. In addition, if a title service agent fails to keep the required records, MVA is authorized to compute the tax due as specified in the Tax – General Article.

MVA may then levy an assessment against the title service agent for the deficiency, interest, and penalties and notify the title service agent of the tax due and the amount of the deficiency assessment. If the title service agent fails to pay the tax and assessment within 10 days after receiving notice, then MVA may levy a penalty equal to 25% of the tax due. (This amount is in addition to the tax and assessment.)

Any amounts received from a title service agent under the bill must be credited first to any penalty and interest accrued and then to the original tax due.

Current Law/Background: State law defines a “title service agent” as any person in the business of transporting to and from MVA certificates of title, registrations, drivers’ licenses, certified copies of records, and other related documents. MVA oversees the licensing process for title service agents.

MVA advised for previous legislation that title service agents in the State provide registration services on its behalf. These agents offer titling and registration services in exchange for a higher fee than MVA would charge. Even so, given their prevalence, use of a title service agent is often a convenient alternative to making an in-person MVA transaction.

State Revenues: MVA advises that it processed 1.2 million excise tax transactions in fiscal 2017. About 18% were completed by title service agents, and the excise tax revenue collected from those transactions totaled \$59.8 million. *Assuming title service agents retain 0.6% of the gross excise tax collected*, TTF revenues retained by the State decrease by \$335,557 annually. Taking into account the bill’s October 1, 2018 effective date, TTF revenues decrease by \$251,667 in fiscal 2019. Over a five-year period, TTF revenues retained by the State decline by about \$1.6 million, assuming a constant number of transactions each year.

To the extent that title service agents are penalized for failure to comply with the bill’s requirements, TTF revenues may increase minimally.

State Expenditures: In order to accommodate the changes required under the bill, MVA advises that 240 hours of reprogramming are required by an outside vendor. In fiscal 2019 only, reprogramming costs total \$36,000. Internal reprogramming changes can be made with existing resources.

Local Revenues: TTF's GMVRA revenue (commonly known as highway user revenue) is shared with local jurisdictions. Under the bill, highway user revenues decrease by about \$22,944 annually and by \$17,208 in fiscal 2019 due to the October 1, 2018 effective date. In total, highway user revenues decrease by about \$109,000 over a five-year period.

Small Business Effect: Any title service agents that qualify as small businesses likely benefit, as the bill allows them to retain a portion of the excise tax (which they are not currently allowed to do). However, the bill also increases the surety bond requirement and establishes various recordkeeping requirements, which could increase costs for any small businesses.

Additional Information

Prior Introductions: None.

Cross File: HB 1065 (Delegate McMillan) - Environment and Transportation.

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

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