

Department of Legislative Services
Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 331 (Delegate Jacobs, *et al.*)

Environment and Transportation

Judicial Proceedings

Farm Area Motor Vehicles - Registration and Authorized Use

This emergency bill makes permanent the 25-mile radius distance from a farm that a vehicle may travel while remaining eligible to be considered a farm area motor vehicle (FAMV). The bill also makes permanent a requirement that an owner of an FAMV submit documentation that demonstrates active farming status as part of the vehicle registration process.

Fiscal Summary

State Effect: Potential minimal effect on special fund revenues, as discussed below. Expenditures are not materially affected.

Local Effect: Potential minimal effect on highway user revenues, as discussed below. Local expenditures are not materially affected.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: A Class K “farm area motor vehicle” is a motor vehicle owned by a farmer and operated only on a farm or on a highway within a 25-mile radius of the farm. Class K vehicles are subject to an annual registration fee of \$2.50, which is significantly less than the fee of \$5.00 for every 1,000 pounds for a farm truck of between 10,000 and 40,000 pounds, \$5.25 for every 1,000 pounds for a farm truck of more than 40,000 pounds, and \$5.25 for every 1,000 pounds for a farm tractor of between 40,000 and 80,000 pounds. Farm trailers are registered biennially, and fees range from \$25.50 to \$124.00, depending on the weight of the trailer.

FAMVs are also exempt from several generally applicable requirements under the Maryland Vehicle Law. For example, farm vehicles are exempt from the generally applicable required security (insurance) requirements, used vehicle inspection certificate requirements, and requirements to enclose the bed of a vehicle carrying a load of loose materials.

Chapter 146 of 2014 altered the definition of FAMVs by increasing, from 10 to 25 miles, the distance from a farm that a vehicle may travel while remaining eligible to be considered an FAMV. It also required the owner to submit the most recent federal tax filing showing active farming status as part of the application for registration. These provisions took effect April 14, 2014, and abrogate on April 14, 2019.

State Revenues: Prior to the enactment of Chapter 146, the Motor Vehicle Administration (MVA) reported that there were 8,925 FAMVs registered in the State. Currently, however, MVA indicates that the number of such vehicles is 6,428 – a decline of about 28%. Though Chapter 146 significantly expanded the distance from a farm that a vehicle may travel while remaining eligible to register as an FAMV, it also required verification materials to be submitted to MVA that had not previously been required. The verification requirements, coupled with the temporary duration of Chapter 146, may have discouraged some vehicle owners from pursuing the FAMV registration option and caused the decline in FAMV registrations since the enactment of Chapter 146.

Both the larger permissible travel radius and the verification requirements terminate April 14, 2019. Assuming the verification requirements are the primary reason for the decline in FAMVs since 2014, the number of FAMVs may increase should the provisions of Chapter 146 be allowed to expire. Absent the bill, therefore, Transportation Trust Fund (TTF) revenues may *decline* minimally as some portion of vehicle owners may transfer their registrations from other classes of farm vehicles to the less costly Class K (FAMV) option.

Under the bill, however, TTF revenues may *increase* minimally as owners of eligible Class K (FAMV) vehicles choose to maintain their registrations in one of the more costly farm vehicle classes rather than undergo the verification process. Alternatively, because the bill permanently extends the provisions of Chapter 146, more owners of eligible vehicles may decide to transfer those vehicles to the Class K (FAMV) designation. In that scenario, TTF revenues *decrease*, potentially minimally, as those vehicle owners pay lower vehicle registration fees.

Ultimately, any effect on TTF revenues is expected to be minimal – although, for the reasons mentioned above, a reliable estimate cannot be made at this time.

Other revenues may be affected under the bill as well. Vehicle registrations include a \$17.00 surcharge for the Maryland Emergency Medical System Operations Fund (MEMSOF); a portion of that fee – \$2.50 – is reserved for the Maryland Trauma Physician Services Fund. Farm trucks and farm tractors (but not farm trailers) pay registration surcharges that are distributed to these special funds. Thus, any effect on TTF revenues has the same directional impact on MEMSOF and Trauma Physician Services revenues. Again, any impact to these funds is expected to be minimal.

Local Revenues: A portion of vehicle registration fees is retained by TTF for distribution as capital grants to local governments (highway user revenues). To the extent that vehicle registration revenues are affected under the bill, highway user revenues may also be minimally affected.

Small Business Effect: Small businesses that purchase vehicles eligible for FAMV registration (or small businesses that own currently registered FAMVs) benefit under the bill, as they may pay significantly lower registration fees. On the other hand, to the extent that the extension of the verification requirements continues to discourage owners of eligible vehicles from shifting to the FAMV designation, the effect may be less significant.

Additional Information

Prior Introductions: None.

Cross File: SB 133 (Senator Gallion, *et al.*) - Judicial Proceedings.

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

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