

Department of Legislative Services  
 Maryland General Assembly  
 2021 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1246 (Delegate Attar)  
 Ways and Means

Vehicle Excise Tax - Leased Vehicles - Alteration

This bill alters the vehicle excise tax imposed on a leased vehicle by specifying the tax imposed is equal to 6% of the capitalized cost reduction and each monthly lease payment. **The bill takes effect July 1, 2021.**

Fiscal Summary

**State Effect:** Transportation Trust Fund (TTF) revenues decrease by \$50.5 million in FY 2022 and by \$58.0 million in FY 2026 due to a reduction in vehicle excise taxes imposed on leased vehicles. TTF expenditures decrease by \$4.6 million in FY 2022 and by \$3.7 million in FY 2026 due to a reduction in capital transportation grants to local governments.

(\$ in millions)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
SF Revenue	(\$50.5)	(\$53.0)	(\$54.6)	(\$56.3)	(\$58.0)
SF Expenditure	(\$4.6)	(\$4.8)	(\$5.0)	(\$3.6)	(\$3.7)
Net Effect	(\$45.9)	(\$48.2)	(\$49.7)	(\$52.7)	(\$54.2)

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

**Local Effect:** Local highway user revenues decrease by \$4.6 million in FY 2022 and by \$3.7 million in FY 2026. Local expenditures are not affected.

**Small Business Effect:** Minimal.

Analysis

**Bill Summary/Current Law:** Under current law, a vehicle excise tax of 6% is generally imposed on the total purchase price of a leased or purchased vehicle. The total purchase

price of a vehicle leased for more than 180 days is the retail value of the vehicle as certified by the dealer, including any dealer processing charges, less an allowance for the trade in of a vehicle.

The bill alters the excise tax imposed on vehicles leased for more than 180 days by specifying the excise tax of 6% is imposed on the capitalized cost reduction and each monthly lease payment. Capitalized cost reduction is any monetary payment made by a lessee of a vehicle at the time of entering into the vehicle lease that lowers the monthly payments on the lease. Capitalized cost reduction does not include the value of any trade-in vehicle.

**State Fiscal Effect:** The bill alters the excise tax imposed on leased vehicles. As a result, TTF revenues decrease by \$50.5 million in fiscal 2022. **Exhibit 1** shows the impact of the bill in fiscal 2022 through 2026.

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**Exhibit 1**  
**Projected State Fiscal Impact**  
**(\$ in Millions)**

	<u><b>FY 2022</b></u>	<u><b>FY 2023</b></u>	<u><b>FY 2024</b></u>	<u><b>FY 2025</b></u>	<u><b>FY 2026</b></u>
TTF Revenues	(\$50.5)	(\$53.0)	(\$54.6)	(\$56.3)	(\$58.0)
TTF Expenditures	(\$4.6)	(\$4.8)	(\$5.0)	(\$3.6)	(\$3.7)

TTF: Transportation Trust Fund

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This estimate is based on the Maryland Department of Transportation’s (MDOT) analysis of the bill, adjusted for the current economic forecast. MDOT estimates that in the last three fiscal years an average of about 46,800 vehicles were leased and paid a total of \$77.7 million in vehicle excise taxes, and the bill would have reduced this excise tax revenue by about two-thirds.

A portion of vehicle excise tax revenues are used to provide capital transportation grants to local governments. Thus, any decrease in vehicle excise tax revenues results in a 9.1% decrease in TTF expenditures to local governments (6.4% beginning in fiscal 2025). Accordingly, TTF expenditures decrease by \$4.6 million in fiscal 2022 and by \$3.7 million in fiscal 2026 as shown in Exhibit 1.

TTF revenues are used to fund the State capital program. MDOT advises that based on its estimated revenue decrease resulting from the bill MDOT will be required to reduce its

capital program by \$440.0 million in fiscal 2022 through 2026 to maintain its debt service coverage ratio.

**Local Revenues:** Local governments receive a portion of vehicle excise tax revenues as local highway user revenues through capital transportation grants. Under the bill, local highway user revenues decrease by \$4.6 million in fiscal 2022 and by \$3.7 million in fiscal 2026.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - March 1, 2021  
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