

Department of Legislative Services  
 Maryland General Assembly  
 2022 Session

FISCAL AND POLICY NOTE  
 Third Reader - Revised

House Bill 368

(Delegate Korman, *et al.*)

Environment and Transportation

Judicial Proceedings

Vehicle Laws - Penalties for Lapse of Security - Grace Period

This bill prohibits the Motor Vehicle Administration (MVA) from assessing a penalty for a vehicle whose required security has terminated or lapsed if the vehicle’s registration plates are returned within 10 days after the termination or lapse *and* one of the following conditions is met: (1) the title for the vehicle has been transferred to a new owner; (2) the registered owner has moved out-of-state and the registration plates are returned by mail; (3) a salvage certificate has been issued; or (4) a licensed dealer has taken possession of the vehicle with an obligation to return the registration plates. Before assessing a penalty for a termination or lapse of a required security, MVA must first verify that the registration plates for the vehicle were not returned within 10 days after the termination or lapse.

Fiscal Summary

**State Effect:** General fund revenues and Transportation Trust Fund (TTF) revenues decrease beginning in FY 2023, as discussed below. TTF expenditures increase by about \$32,000 in FY 2023 only for reprogramming.

**Local Effect:** None.

**Small Business Effect:** Potential minimal.

Analysis

**Current Law:**

*Required Security*

Maryland law requires an owner of a motor vehicle that is required to be registered in the State to maintain insurance for the vehicle during the registration period. MVA may not issue or transfer the registration of a motor vehicle unless the owner or prospective owner

of the vehicle provides satisfactory evidence to MVA that the required security is in effect. If the required security for a vehicle lapses at any time, the registration of that vehicle is suspended automatically as of the date of the lapse, effective within 60 days after notification to MVA. After receiving this notice, MVA must make a reasonable effort to notify the owner of the vehicle that registration on the vehicle has been suspended. The registration remains suspended until the vehicle owner submits evidence of replaced security on a designated MVA form, certified by the insurance provider, along with the uninsured motorist penalty fee.

#### *Uninsured Motorist Penalties and Revenue Distribution*

MVA may assess the owner of the vehicle a penalty of \$150 for each vehicle without the required security for the first 30 days. Beginning on the thirty-first day, the fine increases by a rate of \$7 for each day, but the total fine may not exceed \$2,500 annually, not including the additional misdemeanor penalty of up to \$500, which may be prepaid with a fine of \$290. Knowingly operating a vehicle without adequate security is a misdemeanor, subject to maximum penalties of a \$1,000 fine and/or one year imprisonment for a first offense and a \$1,000 fine and/or two years imprisonment for a subsequent offense. The violation requires a court appearance, results in the imposition of five points on the driver's record, and subjects the driver to participation in the Driver Improvement Program.

These monetary penalties may not be avoided by transferring the title to the vehicle.

Additionally, if title to a vehicle is transferred to a family member by an individual who has violated the required security law, any suspension of the vehicle's registration that occurred *before* the transfer continues to remain in effect (as if no transfer had occurred), and a new registration may not be issued until the penalty is paid. This requirement applies regardless of whether money or other valuable consideration is involved in the transfer.

A portion of the fines collected under the escalating penalty structure for lapsed security is retained in MVA (30%) for specified purposes; the rest (70%) is directed under a specified allocation formula to the Department of State Police's Vehicle Theft Prevention Fund, the School Safety Enforcement Fund, Maryland Automobile Insurance Fund, and the general fund.

**State Fiscal Effect:** MVA advises the bill likely has an impact on State revenues. In fiscal 2021, MVA estimates there were about 19,000 cases of noncompliance with the State's required security law that lasted for 30 days or less. The portion of those cases that involved owners who were out of compliance for 10 days or less (*i.e.*, the grace period established by the bill) *and* met one of the bill's other conditions cannot be determined at this time.

However, *for illustrative purposes only*, MVA estimates that about 10% of those cases (*i.e.*, 1,900 registrations annually) were noncompliant for a period of 10 days or less. The penalty for noncompliance is \$150 if the period does not exceed 30 days. Thus, under the bill, MVA anticipates a total revenue loss to the State of about \$213,750 in fiscal 2023 (due to the bill's October 1, 2022 effective date) and \$285,000 in subsequent years, assuming the number and distribution of violations remain constant in future years. As noted above, State law specifies how these penalty revenues are allocated; under the bill, the general fund is expected to absorb about 70% of any annual revenue loss, with TTF absorbing the remaining 30%. Thus, in the above scenario, in fiscal 2023, general fund revenues are expected to decrease by about \$149,625 while TTF revenues decrease by \$64,125. In subsequent years, general fund revenues decrease by an estimated \$199,500 while TTF revenues decrease by an estimated \$85,500. The other special funds that receive distributions from the penalty for noncompliance are not affected, as their required allocations are satisfied with penalties that continue to be collected.

The Department of Legislative Services advises that this estimate is subject to considerable uncertainty as the bill requires one additional condition to be met (*e.g.*, a title transfer to a new owner) along with the return of a vehicle's registration plates within the 10-day grace period. The number of individuals who meet those criteria, therefore, may be less than the 10% of cases estimated by MVA. If so, State revenues are less significantly affected.

In fiscal 2023 only, MVA advises that reprogramming and testing expenses are expected to total about \$31,950. Other changes (*e.g.*, updates to MVA's website) can be handled with existing budgeted resources.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 9, 2022  
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Analysis by: Eric F. Pierce

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510