

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 742

(Senator Smith)

Judicial Proceedings

Vehicle Laws - Inspection Requirement

This bill generally establishes a biennial (once every two years) inspection requirement for each motor vehicle in the State that is at least six model years old. As a result, the Motor Vehicle Administration (MVA) must require the submission of the inspection certificate for vehicles subject to the requirement. However, such an inspection is not required for Class L (historic) vehicles or certain classes of vehicles subject to a separate preventative maintenance program. The bill authorizes the Department of State Police (DSP) to license facilities to inspect a vehicle and issue an inspection certificate as required by the bill. An inspection must include examination of specified equipment to determine if the equipment meets or exceeds standards under State law. MVA must adopt regulations to implement the bill, including inspection fees.

Fiscal Summary

State Effect: Net Transportation Trust Fund (TTF) revenues decrease, potentially significantly, beginning in FY 2026, as discussed below. Other special fund revenues (for the Maryland Emergency Medical System Operations Fund (MEMSOF), R Adams Cowley Shock Trauma Center, and the Maryland Trauma Physician Services Fund (MTPSF)) also likely decrease beginning in FY 2026. General fund expenditures increase, potentially significantly, beginning in FY 2026 for DSP to hire additional compliance personnel.

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Inspection Certificates

An inspection certificate is valid for a period of 90 days from the date of issuance and must identify (1) the inspection station where the vehicle was inspected and (2) the licensed inspection mechanic who inspected the motor vehicle.

Regulations

MVA must adopt regulations to implement the bill; the regulations must establish the maximum fee that an inspection station may charge for conducting an inspection, a specific portion of which must be paid to (or retained by) MVA to cover the costs of administration and enforcement under the bill.

Current Law:

Licensing of Inspection Stations

On receipt of an application and a nonrefundable fee (established by MVA) from a facility for an inspection station license, DSP's Automotive Safety Enforcement Division must (1) inspect the facility as to its ability to inspect and correct equipment and (2) issue an inspection station license (if the facility is qualified). The license authorizes the facility to (1) inspect a used vehicle on request of its transferor or transferee; (2) inspect the equipment of a vehicle for which a safety equipment repair order has been issued and issue a repair order certification for the vehicle; and (3) on the request of its owner, inspect an ambulance that is required to be inspected under provisions of law related to the Maryland Institute for Emergency Medical Services. DSP may suspend or revoke an inspection station license for cause and, upon suspension or revocation, require the surrender of the license and all related material issued by DSP. DSP may establish standards by rule or regulation for the licensing and operation of inspection stations. MVA may not set a fee that exceeds the administrative cost to DSP under the program.

Used Vehicle Inspections

Generally, if a person transfers a used motor vehicle, the person has to obtain an inspection certificate from an inspection station. The inspection requirement does not apply to transfers between spouses, parents and children, vehicle co-owners, or vehicles that are not to be both titled and registered in Maryland. The inspection requirement also does not apply to other specialized types of transfers, as specified in statute.

A valid inspection certificate for a used vehicle is required for titling and registration. However, Class L (historic) vehicles are exempt from this requirement. An inspection certificate is valid from the date of the inspection certificate for a period of 90 days. An inspection certificate issued for a used vehicle owned and held in inventory by a licensed dealer expires at the earlier of six months or after 1,000 miles have been added to the vehicle's odometer since issuance of the inspection certificate.

If a person applies for titling and registration of a used vehicle, MVA may issue a temporary registration and withhold delivery of the certificate of title until an inspection certificate is received. A vehicle with a temporary registration must be inspected within 60 days of the issuance of the temporary registration.

Safety Equipment Repair Orders

A police officer who observes that a vehicle registered in Maryland is being operated without required equipment must stop the driver and issue a safety equipment repair order. Driving on a highway without the required minimum equipment is a misdemeanor, subject to a maximum fine of \$500. The prepayment penalty established by the District Court is \$70.

Minimum Standards for Equipment

Every vehicle driven on highways in Maryland must, where applicable, have certain equipment (*e.g.*, brakes, steering, suspension, etc.) that meets or exceeds the standards established jointly by MVA and DSP.

State Fiscal Effect: MVA and DSP advise that the bill likely has a significant fiscal and operational impact. In calendar 2024, there were approximately 1,500 approved inspection stations that conducted nearly 762,000 inspections. Under the bill, the number of required inspections increases substantially, potentially necessitating additional certified inspection stations to handle the increased volume of ongoing inspections. TTF and other special fund revenues are affected in multiple ways, as discussed below. Moreover, general fund expenditures are likely affected for DSP to implement the bill's requirements.

Effect on Transportation Trust Fund and Other Special Fund Revenues

MVA estimates that the total number of vehicles registered in the State that are six model years or older is 5,273,881. However, taking into account the exemptions established by the bill, the total number of vehicles subject to inspection under the bill is expected to total approximately 3,622,836. Given the biennial inspection requirement, approximately 1,811,418 vehicles are assumed to be subject to inspections annually (assuming a relatively even distribution of vehicles across fiscal years). Moreover, as

additional vehicles age into the inspection requirement each year, the total number of vehicles subject to inspection increases to approximately 2,078,093 annually. In fiscal 2026, approximately 1,358,563 vehicles are assumed to be subject to inspection (*i.e.*, due to the bill's October 1, 2025 effective date).

Under the bill, MVA is authorized to establish an inspection fee (a portion of which must be retained by MVA to cover its costs). Although MVA has not yet determined the exact amount of the fee that may be set in regulation, *for illustrative purposes only*, if the cost-recovery portion of the fee is set at \$2.00 per inspection, TTF revenues increase by approximately \$2.7 million in fiscal 2026 and \$4.2 million in subsequent years.

While MVA assumes most vehicle owners will comply with the new inspection requirement, some owners may be unable (or unwilling) to pay for repairs required to pass the inspection. As a result, these owners may delay (or even forego) renewal of their vehicle registration. The exact number of owners who may not comply with the inspection requirement is unknown; however, *for illustrative purposes only*, if 5% of vehicle owners delay or avoid renewing their registrations, TTF revenues decrease by nearly \$11.0 million annually (\$6.6 million in fiscal 2026 due to the bill's October 1, 2025 effective date).

Taking into account the new inspection fee, in the scenario above, *net TTF revenues* decrease by several million dollars annually (\$3.9 million in fiscal 2026 and \$6.8 million in subsequent years).

Registration fees also include a yearly \$40.00 surcharge, primarily for MEMSOF (as much as \$24.50). A portion of that surcharge (\$6.50) is reserved for the MTPSF, and at least \$9.00 from each surcharge must be allocated to the R Adams Cowley Shock Trauma Center. The revenue loss noted above does not account for the additional loss of fee revenues for these programs, which may also be significant.

Although reprogramming changes are necessary to accommodate certain changes made by the bill (*e.g.*, the processing of biennial inspection certificates every two years), these changes can likely be handled with existing resources.

Effect on Department of State Police

Due to the significant influx of safety inspections occurring after the bill takes effect, DSP advises it likely needs to hire additional compliance personnel (perhaps as many as 15) to ensure inspection stations are in compliance with the bill. Although the Department of Legislative Services (DLS) concurs that DSP likely needs to hire additional personnel under the bill – and that the costs to do so may be significant – DLS advises the exact number of personnel needed primarily depends on the number of private inspection stations that participate in the program, which is unknown. Therefore, while general fund

expenditures increase, potentially significantly, for DSP to implement the bill, the exact impact cannot be determined at this time. To the extent personnel are hired as a result of the bill, this analysis assumes most are hired in the first two years of implementation (*i.e.*, fiscal 2026 and 2027).

Small Business Effect: Many safety inspection stations qualify as small businesses and are meaningfully affected by the bill. Once the bill takes effect, a significant number of vehicles will require an inspection pursuant to the bill's requirements in order to maintain a valid registration. It is unlikely that the current system of safety inspection stations can accommodate such a significant influx, particularly in the short term. The amount of the inspection fee has not yet been determined by MVA, so the extent to which existing (or new) stations will participate in the safety inspection program is unclear.

In addition, any small businesses that operate fleets are also affected by the bill, assuming such businesses operate vehicles that are six model years or older.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 670 of 2022.

Designated Cross File: None.

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

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