

**Department of Legislative Services**  
Maryland General Assembly  
2025 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 898  
Ways and Means

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**Transportation - Vehicle Excise Tax - Rental Vehicles**

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This bill repeals the vehicle excise tax exemption for short-term rental vehicles and imposes an excise tax rate of 3.5% of the fair market value of a short-term rental vehicle. **The bill takes effect July 1, 2025.**

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**Fiscal Summary**

**State Effect:** Transportation Trust Fund (TTF) revenues increase by an estimated \$46.1 million in FY 2026. Future years reflect projected growth in newly taxable vehicle sales. Transportation bond capacity increases by \$385 million over FY 2026 through 2030, including an estimated \$49.0 million in FY 2026. TTF expenditures for local highway user revenue grants and debt service increase by \$7.3 million in FY 2026; future years reflect existing highway user revenue distribution provisions and projected ongoing debt service costs.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
SF Revenue	\$46.1	\$47.4	\$48.4	\$49.4	\$50.3
Bond Rev.	\$49.0	\$91.0	\$82.0	\$75.0	\$88.0
SF Expenditure	\$7.3	\$10.8	\$13.6	\$20.3	\$29.5
Net Effect	\$87.7	\$127.6	\$116.8	\$104.0	\$108.8

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

**Local Effect:** Local highway user revenues increase by \$6.1 million in FY 2026 and similar amounts annually thereafter. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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## Analysis

**Current Law:** Subject to specified exemptions, the vehicle excise tax is imposed for each original and subsequent certificate of title issued in the State for a motor vehicle, a trailer, a semitrailer, a moped, a motor scooter, or an off-highway recreational vehicle (OHRV) and for specified vehicles in interstate operation that are registered without a certificate of title. The tax rate of 6% is applied to the fair market value of the vehicle (as defined). With the exception of specified revenues from the excise tax imposed on OHRVs, the proceeds from the vehicle excise tax are deposited in TTF, of which two-thirds are credited to the Gasoline and Motor Vehicle Revenue Account (GMVRA) within TTF. A portion of funds credited to GMVRA are used to provide capital transportation grants to local governments (local highway user revenues).

Rental vehicles (as defined under § 11-148.1 of the Transportation Article) are specifically exempt from the vehicle excise tax. For purposes of the vehicle law, “rental vehicle” means a passenger car or other specified vehicle that is acquired solely for rental purposes but will not be rented to the same person for a period of more than 180 consecutive days, subject to certain other criteria and exemptions. The State imposes an 11.5% sales and use tax on certain short-term vehicle rentals.

**State Fiscal Effect:** **Exhibit 1** displays the bill’s estimated effect on MDOT revenues and expenditures. As shown in the exhibit, TTF revenues from the vehicle excise tax increase by an estimated \$46.1 million in fiscal 2026; future years reflect projected growth in newly taxable vehicle sales.

As also shown in the exhibit, TTF revenues generated by the bill’s changes are estimated to increase MDOT bond capacity by \$385 million over fiscal 2026 through 2030, including \$49.0 million in fiscal 2026.

TTF expenditures for local highway user revenue grants and debt service on transportation bonds increase by \$7.3 million in fiscal 2026; future years reflect existing highway user revenue distribution provisions and ongoing debt service costs. The net MDOT effect, as shown below, reflects the remaining additional revenues available for MDOT’s capital program.

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**Exhibit 1**  
**Projected Effect on MDOT Revenues and Expenditures**  
**Fiscal 2026-2030**  
**(\$ in Millions)**

	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>	<b><u>FY 2029</u></b>	<b><u>FY 2030</u></b>
<b>MDOT Revenues</b>	<b>\$95.1</b>	<b>\$138.4</b>	<b>\$130.4</b>	<b>\$124.4</b>	<b>\$138.3</b>
TTF Revenues	46.1	47.4	48.4	49.4	50.3
Bond Revenues	49.0	91.0	82.0	75.0	88.0
<b>MDOT Expenditures</b>	<b>\$7.3</b>	<b>\$10.8</b>	<b>\$13.6</b>	<b>\$20.3</b>	<b>\$29.5</b>
LHUR Grants	6.1	6.3	5.0	5.1	5.2
Debt Service	1.2	4.5	8.6	15.2	24.3
<b>Net MDOT Effect</b>	<b>\$87.7</b>	<b>\$127.6</b>	<b>\$116.8</b>	<b>\$104.0</b>	<b>\$108.8</b>

LHUR: local highway user revenue

MDOT: Maryland Department of Transportation

TTF: Transportation Trust Fund

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

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**Local Revenues:** **Exhibit 2** displays the bill's estimated effect on local highway user revenues. As shown in the exhibit, in fiscal 2026, local highway user revenues increase by an estimated \$6.1 million, including \$3.7 million for Baltimore City, \$1.5 million for counties, and \$0.9 million for municipalities. Future years reflect local jurisdictions' shares of highway user revenues in fiscal 2027 through 2030.

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**Exhibit 2**  
**Projected Local Highway User Revenue Effects**  
**Fiscal 2026-2030**  
**(\$ in Millions)**

	<b><u>FY 2026</u></b>	<b><u>FY 2027</u></b>	<b><u>FY 2028</u></b>	<b><u>FY 2029</u></b>	<b><u>FY 2030</u></b>
Baltimore City	\$3.7	\$3.9	\$3.1	\$3.1	\$3.2
Counties	1.5	1.5	1.2	1.2	1.2
Municipalities	0.9	0.9	0.8	0.8	0.8
<b>Total LHURs</b>	<b>\$6.1</b>	<b>\$6.3</b>	<b>\$5.0</b>	<b>\$5.1</b>	<b>\$5.2</b>

LHUR: local highway user revenue

Note: Numbers may not sum to total due to rounding.

Source: Department of Legislative Services

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### **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

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

**Fiscal Note History:** First Reader - February 16, 2025  
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