

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 585
Ways and Means

(Delegate Chang)

Transportation - Rental Cars - Excise Tax Exemption

This bill repeals the 3.5% vehicle excise tax imposed on short-term rental vehicles as enacted under the Budget Reconciliation and Financing Act (BRFA) of 2025. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues decrease by an estimated \$29.0 million in FY 2027. Future years reflect the current vehicle excise tax revenue forecast. State expenditures are not affected.

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
SF Revenue	(\$29.0)	(\$30.2)	(\$31.1)	(\$32.0)	(\$33.2)
Expenditure	0	0	0	0	0
Net Effect	(\$29.0)	(\$30.2)	(\$31.1)	(\$32.0)	(\$33.2)

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

Local Effect: None.

Small Business Effect: Minimal overall, but meaningful for small business vehicle rental businesses.

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 for which sales and use tax is not collected at the time of purchase and for specified vehicles in interstate operation that are registered without a certificate of title.

Effective July 1, 2025, the BRFA repealed the vehicle excise tax exemption for short-term rental vehicles and imposes an excise tax rate of 3.5% of the fair market value of a short-term rental vehicle.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 Act also increases the general vehicle excise tax rate from 6.0% to 6.5% of a vehicle's fair market value. Revenues attributable to the 3.5% excise tax imposed on short-term rental vehicles and the additional 0.5% excise tax imposed on all other taxable vehicle transactions accrue to TTF and are not distributed to the Gasoline and Motor Vehicle Revenue Account.

The State also imposes an 11.5% sales and use tax on short-term passenger car, multipurpose passenger vehicle, and motorcycle rentals and an 8.0% sales and use tax on certain short-term truck, tractor, and trailer rentals. TTF receives 45.0% of the proceeds from the sales and use tax on short-term vehicle rentals, and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund receives the remaining 55.0%.

State Revenues: TTF revenues decrease by an estimated \$29.0 million in fiscal 2027 and similar amounts annually thereafter due to a reduction in vehicle excise tax revenues. This estimate is based on the current vehicle excise tax revenue forecast. Transportation debt issuances may be affected in future years; any such effect is likely outside of the five-year estimate period of this fiscal and policy note and is not reflected in this analysis.

Additional Information

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

Designated Cross File: SB 374 (Senators Beidle and Hershey) - Budget and Taxation.

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

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me/hlb

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