

Department of Legislative Services
 Maryland General Assembly
 2020 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 144

(Senator McCray)

Budget and Taxation

Ways and Means

Income Tax Credit - Class F Vehicles - Extension

This bill extends the income tax credit for the cost of registering a tractor-trailer (Class F vehicle) in Maryland. The Motor Vehicle Administration (MVA) can issue in each tax year a maximum of \$10,000 in tax credits to a single taxpayer and a total of \$500,000 in tax credits on a first-come, first-served basis. **The bill takes effect July 1, 2020, and applies to tax years 2020 through 2022.**

Fiscal Summary

State Effect: General fund revenues decrease by \$438,000 annually in FY 2021 through 2023 due to credits claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) revenues decrease by \$44,000 annually and Higher Education Investment Fund (HEIF) revenues decrease by \$18,000 annually in FY 2021 through 2023. TTF expenditures decrease by \$6,000 annually in FY 2021 through 2023.

(in dollars)	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF Revenue	(\$438,000)	(\$438,000)	(\$438,000)	\$0	\$0
SF Revenue	(\$62,000)	(\$62,000)	(\$62,000)	\$0	\$0
SF Expenditure	(\$6,000)	(\$6,000)	(\$6,000)	\$0	\$0
Net Effect	(\$494,000)	(\$494,000)	(\$494,000)	\$0	\$0

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

Local Effect: Local highway user revenues decrease by \$6,000 annually in FY 2021 through 2023. Local expenditures are not affected.

Small Business Effect: Small businesses that claim the credit will benefit from the tax credit's three-year extension.

Analysis

Current Law/Background: The Budget Reconciliation and Financing Act of 2013 (Chapter 425) established an income tax credit for the cost of registering in Maryland a tractor-trailer (class F vehicle) that is titled and registered in the State. The tax credit may not exceed \$400 for each qualified vehicle registered or the total tax liability imposed in the tax year.

For each vehicle, the annual registration fee is based on the maximum gross weight of the vehicle in combination with a trailer or semitrailer. For example, the annual registration fee is \$21.00 per 1,000 pounds for a Class F vehicle with a maximum gross weight of 40,000 to 60,000 pounds.

The tax credit was contingent upon an increased toll structure at Maryland toll facilities taking effect by September 1, 2013. This contingency was met as the Maryland Transportation Authority (MDTA) increased toll rates systemwide on July 1, 2013. The amount of the increase varied across facilities and depended on a number of factors, including whether the individual had an E-ZPass account and the number of axles of the vehicle. For example, toll rates increased by about one-third for vehicles with five axles at most facilities except for the Bay Bridge and Harry W. Nice Bridge, which both increased by one-half. Effective July 1, 2015, MDTA reduced toll rates systemwide and reduced tolls by other actions, including an increase in certain discounts for E-ZPass customers. These reductions included decreasing, to the previous rate, the toll rates for five-axle vehicles crossing the Bay Bridge. Toll rates for five-axle vehicles remained unchanged at other facilities.

Chapter 502 of 2017 extended the tax credit and authorized MVA to issue in each tax year a maximum of \$10,000 in tax credits to a single taxpayer and a total of \$500,000 in tax credits on a first-come, first-served basis. Individuals and corporations may claim the credit through tax year 2019.

State Revenues: The bill extends the income tax credit for registering qualified Class F vehicles through tax year 2022. As a result, general fund revenues decrease by \$438,000 annually in fiscal 2021 through 2023. Over the same period, TTF revenues decrease by \$44,000 annually and HEIF revenues decrease by \$18,000 annually. **Exhibit 1** shows the estimated State revenue impacts resulting from the proposed extension.

Exhibit 1
Projected Impact on State Revenues
Fiscal 2021-2025

	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
General Fund	(\$438,000)	(\$438,000)	(\$438,000)	\$0	\$0
HEIF	(18,000)	(18,000)	(18,000)	0	0
TTF	(44,000)	(44,000)	(44,000)	0	0
Total Revenues	(\$500,000)	(\$500,000)	(\$500,000)	\$0	\$0

HEIF: Higher Education Investment Fund

TTF: Transportation Trust Fund

Source: Department of Legislative Services

According to the Comptroller's Office, the maximum amount of tax credits were claimed in tax year 2017, the last year of available data. This estimate assumes the maximum amount of tax credits will be claimed in each year and that 60% of all eligible credits are claimed against the corporate income tax.

The Maryland Department of Transportation did not respond to a request for information on the total amount of tax credits awarded by the MVA.

State Expenditures: A portion of TTF revenues are used to provide capital transportation grants to local governments. Accordingly, TTF expenditures decrease by \$6,000 annually in fiscal 2021 through 2023. TTF revenues also fund the State capital program; a decrease in TTF revenues decreases expenditures for the State capital program.

Local Revenues: Local highway user revenues will decrease by \$6,000 annually in fiscal 2021 through 2023.

Additional Information

Prior Introductions: None.

Cross File: HB 221 (Delegate Ebersole) - Ways and Means.

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

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