

**Department of Legislative Services**  
 Maryland General Assembly  
 2024 Session

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

House Bill 754 (Delegate Wells)  
 Ways and Means

**Vehicle Excise Tax - Trade-In Allowance - Repeal**

This bill repeals the trade-in allowance under the State’s vehicle excise tax. **The bill takes effect July 1, 2024, and applies to (1) all certificates of title issued in the State on or after July 1, 2024, and (2) all motor vehicles, trailers, or semitrailers subject to the excise tax that are in interstate commerce and registered without a certificate of title on or after July 1, 2024.**

**Fiscal Summary**

**State Effect:** Transportation Trust Fund (TTF) revenues increase by \$178.1 million in FY 2025; future years reflect projected growth in taxable vehicle sales. Transportation bond capacity increases by an estimated \$1.0 billion over FY 2025-2029, including an estimated \$77.5 million in FY 2025. TTF expenditures for local highway user revenue grants and debt service increase by \$23.0 million in FY 2025; future years reflect existing highway user revenue distribution provisions and projected ongoing debt service costs.

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
SF Revenue	\$178.1	\$189.9	\$197.5	\$202.6	\$208.1
Bond Rev.	\$77.5	\$225.0	\$273.0	\$245.0	\$205.0
SF Expenditure	\$23.0	\$33.4	\$45.0	\$55.3	\$78.4
Net Effect	\$232.6	\$381.5	\$425.4	\$392.3	\$334.6

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

**Local Effect:** Local highway user revenues increase by \$21.4 million in FY 2025 and similar amounts annually thereafter. Local expenditures are not affected.

**Small Business Effect:** Potential meaningful for a small business that trades in a business vehicle as part of a taxable vehicle transaction.

## Analysis

### Current Law:

#### *Vehicle Excise Tax (Titling Tax)*

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 is applied to the fair market value of the vehicle, which is defined as:

- for the sale of a new or used vehicle by a licensed dealer, the total purchase price, as certified by the dealer;
- for a used vehicle that is sold by a person other than a licensed dealer and that has a designated model year that is seven years old or older, the greater of the total purchase price or \$640;
- for any other used vehicle sold by a person other than a licensed dealer, the total purchase price or, if the total purchase price is more than \$500 below the retail value of the vehicle as shown in a national publication of used car values adopted for use by the Maryland Department of Transportation (MDOT) and is not verified to the satisfaction of the Motor Vehicle Administration, the valuation shown in the national publication of used car values;
- for a used trailer, a motor scooter, a moped, or an OHRV that is sold by a person other than a licensed dealer, the greater of the total purchase price or \$320; and
- in any other case, the valuation shown in a national publication of used car values adopted for use by MDOT.

Chapter 6 of the 2007 special session (“Transportation and State Investment Act”) increased the vehicle excise tax rate from 5% to 6% and authorized a trade-in allowance against the tax equal to the full value of the trade-in vehicle. Subsequent legislation extended the trade-in allowance to persons trading in a nonleased vehicle as part of a vehicle lease agreement and persons trading in a leased vehicle to enter into a lease with a different leasing company or to purchase a vehicle.

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).

*Commission on Transportation Revenue and Infrastructure Needs*

Chapter 455 of 2023 established the Commission on Transportation Revenue and Infrastructure Needs to, among other things, study and make recommendations concerning the current structure and State funding sources of TTF. The commission submitted an [interim report](#) of its findings and recommendations in January 2024 and must submit a final report by January 1, 2025.

**State Fiscal Effect: Exhibit 1** displays the bill's estimated effect on State revenues and expenditures. As shown in the exhibit, TTF revenues from the vehicle excise tax increase by an estimated \$178.1 million in fiscal 2025; future years reflect projected growth in taxable vehicle sales. This estimate is based on an analysis of the historical impact of the trade-in allowance on the vehicle excise tax base since the allowance took effect.

As also shown in the exhibit, TTF revenues generated by the bill's changes are estimated to increase MDOT bond capacity by over \$1.0 billion over fiscal 2025 through 2029, including \$77.5 million in fiscal 2025.

TTF expenditures for local highway user revenue grants and debt service on transportation bonds increase by \$23.0 million in fiscal 2025; future years reflect existing highway user revenue distribution provisions and ongoing debt service costs. The net State effect, as shown below, reflects the remaining additional revenues available for MDOT's capital program.

**Exhibit 1**  
**Projected State Fiscal Effects**  
**Fiscal 2025-2029**  
**(\$ in Millions)**

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
<b>State Revenues</b>	<b>\$255.6</b>	<b>\$414.9</b>	<b>\$470.5</b>	<b>\$447.6</b>	<b>\$413.1</b>
TTF Revenues	178.1	189.9	197.5	202.6	208.1
Bond Revenues	77.5	225.0	273.0	245.0	205.0
<b>State Expenditures</b>	<b>\$23.0</b>	<b>\$33.4</b>	<b>\$45.0</b>	<b>\$55.3</b>	<b>\$78.4</b>
TTF Expenditures	23.0	33.4	45.0	55.3	78.4
<i>LHUR Grants</i>	<i>21.4</i>	<i>25.3</i>	<i>26.3</i>	<i>21.1</i>	<i>21.6</i>
<i>Debt Service</i>	<i>1.6</i>	<i>8.1</i>	<i>18.7</i>	<i>34.2</i>	<i>56.8</i>
<b>Net State Effect</b>	<b>\$232.6</b>	<b>\$381.5</b>	<b>\$425.4</b>	<b>\$392.3</b>	<b>\$334.6</b>

TTF: Transportation Trust Fund

LHUR: local highway user revenue

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

Source: Department of Legislative Services

50% of the proceeds from the excise tax imposed on OHRVs are deposited in the OHRV Trail Fund; thus, OHRV Trail Fund revenues may also increase – likely minimally – beginning in fiscal 2025 (not shown above).

**Local Revenues:** Exhibit 2 displays the bill’s estimated effect on local highway user revenues. As shown in the exhibit, in fiscal 2025, local highway user revenues increase by an estimated \$21.4 million, including \$13.1 million for Baltimore City, \$5.1 million for counties, and \$3.2 million for municipalities. Future years reflect local jurisdictions’ shares of highway user revenues in fiscal 2026 through 2029.

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**Exhibit 2**  
**Projected Local Highway User Revenue Effects**  
**Fiscal 2025-2029**  
**(\$ in Millions)**

	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
Baltimore City	\$13.1	\$15.4	\$16.1	\$12.8	\$13.2
Counties	5.1	6.1	6.3	5.0	5.1
Municipalities	3.2	3.8	3.9	3.2	3.3
<b>Total LHURs</b>	<b>\$21.4</b>	<b>\$25.3</b>	<b>\$26.3</b>	<b>\$21.1</b>	<b>\$21.6</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 19, 2024  
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Analysis by: Elizabeth J. Allison

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