Department of Legislative Services

Maryland General Assembly
2019 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 241 (Delegate Rosenberg, *et al.*)
Environment and Transportation

Vehicle Laws - License and Registration Renewal - Denial

This bill prohibits the Motor Vehicle Administration (MVA) from denying a vehicle registration renewal, registration transfer, or driver's license renewal if an applicant (1) has income at or below 200% of the federal poverty level; (2) has a principal tax liability below $10,000; or (3) qualifies for "currently not collectible" status under Part 5, Chapter 16, Section 1 of the *Internal Revenue Manual*.

Fiscal Summary

State Effect: General fund revenues decrease by as much as $27.6 million in FY 2020 and as much as $64.4 million in FY 2024. Transportation Trust Fund revenues are not materially affected (although the bill likely accelerates receipt of fee revenues). Expenditures are likely not materially affected.

($ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
GF Revenue	($27.6)	($42.4)	($48.7)	($56.0)	($64.4)
Expenditure	0	0	0	0	0
Net Effect	($27.6)	($42.4)	($48.7)	($56.0)	($64.4)

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

Unemployment Insurance Trust Fund Effect: Unemployment Insurance Trust Fund (UITF) revenues decrease, likely significantly, beginning in FY 2020. Expenditures are likely not materially affected.

Local Effect: Local government revenues decrease by as much as $16.9 million in FY 2020 and as much as $39.5 million in FY 2024. Local government expenditures are not materially affected.

Small Business Effect: None.

Analysis

Current Law: MVA is prohibited from renewing or transferring the registration of any vehicle – or renewing the driver's license of an applicant – if the applicant has not paid all undisputed taxes and unemployment insurance contributions to the Comptroller or the Department of Labor, Licensing, and Regulation (DLLR), or provided for payment in a satisfactory manner.

MVA must cooperate with the Comptroller and DLLR to develop procedures and adopt regulations in accordance with these requirements. Regulations must require (1) the Comptroller to notify MVA that an individual has not paid all undisputed taxes and (2) DLLR to notify MVA that an individual has not paid all undisputed unemployment insurance contributions.

Background:

Federal Poverty Guidelines

Exhibit 1 shows the federal poverty guidelines for varying household sizes in 2019. Under the bill, any applicant with an income at or below 200% of the federal poverty level is exempt from MVA's registration/license denial program.

Exhibit 1
2019 Federal Poverty Guidelines

Household Size	Federal Poverty Guideline	200% of Federal Poverty Guideline
1	$12,490	$24,980
2	16,910	33,820
3	21,330	42,660
4	25,750	51,500
5	30,170	60,340

Source: U.S. Department of Health and Human Services; Department of Legislative Services

Currently Not Collectible Status

According to the Internal Revenue Service (IRS), if, after taking all steps in the collection process, it is determined that an account receivable is currently not collectible, it should be so reported. As a general rule, accounts will be reported as currently not collectible when the taxpayer has no assets or income which are, by law, subject to levy. However, if there are limited assets or income but it is determined that levy action would create a hardship, the liability may be reported as currently not collectible. A hardship exists if the levy action prevents the taxpayer from meeting necessary living expenses. In each case a determination must be made as to whether the levy would result in actual hardship, as distinguished from mere inconvenience to the taxpayer.

State/Local/UITF Revenues: The Comptroller's Office advises that about $50.0 million was collected as a result of the existing denial mechanism in fiscal 2018. Since fiscal 2014, collections have grown at an average rate of about 11.7%. The Comptroller's Office further advises that about 84.4% of all collections in 2018 were related to vehicle registration/driver's license applicants with balances under $10,000. (While the bill does not define "principal tax liability," nor is the term defined in Maryland statute, this analysis assumes it refers to the total outstanding tax liability of an applicant – including back years.)

Additional cases may qualify for the bill's exemption assuming the applicant (1) has income at or below 200% of the federal poverty level or (2) has been designated by the IRS as having currently not collectible status. While precise figures for these groups are not available, presumably both increase the number of exempt individuals under the bill.

Assuming a 15% growth rate in collections – and that 90% of all cases are likely exempted from the denial mechanism under the bill – general fund revenues decrease by about $27.6 million in fiscal 2020 (which accounts for the bill's October 1, 2019 effective date). The Comptroller's Office advises that it expects local income tax revenue to be affected as well. In fiscal 2020, local income taxes (in aggregate) decrease by about $16.9 million; the local revenue reduction reaches $39.5 million in fiscal 2024. **Exhibit 2** shows the State and local revenue effect resulting from the bill over a five-year period.

Exhibit 2
Change in General Fund Revenues and Local Revenues under the Bill
Fiscal 2020-2024
($ in Millions)

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
State Revenues	($27.6)	($42.4)	($48.7)	($56.0)	($64.4)
Local Revenues	(16.9)	(26.0)	(29.9)	(34.3)	(39.5)
Total	**($44.5)**	**($68.4)**	**($78.6)**	**($90.3)**	**($103.9)**

Source: Comptroller's Office; Department of Legislative Services

The revenue effect shown in Exhibit 1 does not account for additional revenues that may no longer be received by UITF under the bill. As of early 2019, DLLR reports 23,703 companies and individuals are likely flagged by MVA for failure to pay unemployment insurance taxes. The collective amount owed by those entities totals $22,340,878.

While DLLR does not track the number of companies and individuals reported on a fiscal-year basis, based on the figures provided by DLLR, this analysis assumes that a significant amount of revenue is credited annually to UITF as a result of the existing registration/license denial mechanism. Nevertheless, a precise estimate of the impact on UITF revenues cannot be determined without more detailed data.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Department of Labor, Licensing, and Regulation; Maryland Department of Transportation; U.S. Department of Health and Human Services; Internal Revenue Service; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2019
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