

D-04-24-02

Date: April 30, 2024

Bulletin: Dealers and Title Services

From: Central Operations Vehicle Services Division

RE: **Vehicle Excise Tax Credit for Business Entities Claiming New Residence**

PURPOSE OF MEMORANDUM

To advise dealers and title service agencies when a business is eligible for a vehicle excise tax credit.

SUMMARY

State law¹ allows businesses to receive a vehicle excise tax credit if a business: (1) has vehicles currently titled in another state; (2) becomes a Maryland “resident”; and (3) titles the vehicles in Maryland within 60 days of becoming a “resident” of Maryland. If a business titles its vehicles more than 60 days after becoming a “resident” of Maryland, the business is not eligible for the tax credit and must pay the full vehicle excise tax.

If a business is eligible for this vehicle excise tax credit, this title transaction must be processed at MVA.

REQUIRED DOCUMENTS FOR NEW RESIDENT BUSINESSES

To qualify for the vehicle excise tax credit, the business must provide a document showing when the business established residency in Maryland. The following documents are acceptable to show when the business is established in the state:

- Proof of registration with the Maryland Department of Assessment and Taxation¹;
- Copy of an agreement to buy or lease business property in Maryland;
- Copy of a franchise agreement for a location in Maryland; or
- Issue date of the lessee’s Maryland driver’s license or ID card

DETERMINE ELIGIBILITY FOR VEHICLE EXCISE TAX CREDIT

If the document shows that the business* became a “resident” in the last 60 days, MVA will scan the document establishing residency in the last 60 days with the titling documents and collect the excise tax amount reduced by the amount of the credit calculated by the system.

* If the business is a leasing company and the customer lessee became a “resident” in the last 60 days, the lessee is qualified for the excise tax credit.

¹ Proof of registration with the Maryland Department of Assessment and Taxation (also referred to as SDAT) includes a document printed from SDAT’s website with the business’ date of formation or registration. If a document is reportedly from SDAT but “SDAT” or its equivalent is not printed on the document, MVA will verify the date of formation or registration of the requesting business on SDAT’s website.

If the business became a “resident” more than 60 days ago, MVA will collect the full vehicle excise tax.

If the business became a “resident” more than 60 days ago and the MVA has no record of the business’ attempt to title the vehicle during the business’ first 60 days in Maryland, the business is not entitled to the credit and must pay the full excise tax amount.

For your information, the business entity transaction chart is attached and should be used as a guide for other business titling transactions. No changes have been made to this chart.

If you have any questions, please contact the Vehicle Services management team - Brian Forde at bforde@mdot.maryland.gov, Shae Richards-Marks at srichardsmarks@mdot.maryland.gov or Winfield Duffy Jr. at wduffy@mdot.maryland.gov.

Business entity transaction chart

Titling Requirements for Business Entity Title Transactions That Are Excise Tax Exempt Under 13-810(c) (3), 13-810(c) (7), and 13-810(c) (8). Please note, in addition to the requirements listed below, to qualify for these excise tax exemptions the vehicle must currently be titled in Maryland. Safety Inspection Requirements for these transactions are stated below as well. If the vehicle is titled out of state, the transaction is taxable and safety inspection and new tags are required.

Transaction Type	Required Documents
Individual (or solely owned company) To Newly Formed Corporation	<ul style="list-style-type: none"> - Maryland Title – Properly assigned from Individual or sole owner to the newly formed corporation; and Application for Title and New Tags completed by an officer of the corporation with capacity stated after the signature; <ul style="list-style-type: none"> - Application for Certificate completed - either on the reverse of the Maryland title, or form VR-005 - A certified statement that the individual or sole owner is a principal stockholder in the newly formed corporation <ul style="list-style-type: none"> - Articles of Incorporation stamped approved by Department of Assessment and Taxation - If there is an existing lien, we need a letter of authorization from the lien holder or lien release. Please note if the letter of authorization states this is a transfer of equity, an additional lien filing fee must be paid. <ul style="list-style-type: none"> - <u>Excise Tax Exempt, Maryland Safety Inspection Required, and Purchase New Registration Plates</u> <ul style="list-style-type: none"> - Other fees: <u>Title fee</u> and <u>Lien Filing fee</u> (if applicable)
Individual (or solely owned company) To Newly Formed Limited Liability Company (LLC)	<ul style="list-style-type: none"> - Maryland Title – Properly assigned from the individual or sole owner to the newly formed Limited Liability Company (LLC) <ul style="list-style-type: none"> - Application for Certificate completed - either on the reverse of the Maryland title, or form VR-005 - A certified statement that the individual or sole owner is a member of the newly formed LLC <ul style="list-style-type: none"> - Articles of Organization stamped with approval of Department of Assessment and Taxation - If there is an existing lien, we need a letter of authorization from the lien holder or lien release. Please note if the letter of authorization states this is a transfer of equity, an additional lien filing fee must be paid. <ul style="list-style-type: none"> - <u>Excise Tax Exempt, Maryland Safety Inspection Required, and Purchase New Registration Plates</u> <ul style="list-style-type: none"> - Other fees: Title fee and Lien Filing fee(if applicable)
Individual (or solely owned company) To Newly Formed Partnership	<ul style="list-style-type: none"> - Maryland Title – Properly assigned from the individual or sole owner to the newly formed partnership; application for title completed and signed by at least one partner (It is advisable for all partners to sign unless the statement is provided showing how many partners there are) <ul style="list-style-type: none"> - Application for Certificate of Title completed - either on the reverse of the Maryland title, or form VR-005 - A certified statement that the individual or sole owner is a partner in the newly formed partnership - Partnership agreement (Please note: Some small partnerships do not have a written agreement. In this case it is advisable (but not necessary) to have a statement listing all partners) - If there is an existing lien, we need a letter of authorization from the lien holder or lien release. Please note if the letter of authorization states this is a transfer of equity, an additional lien filing fee must be paid. <ul style="list-style-type: none"> - <u>Maryland Safety Inspection Required, Excise Tax Exempt, Purchase New Registration Plates</u> <ul style="list-style-type: none"> - Other fees: <u>Title fee</u> and <u>Lien Filing fee</u> (if applicable)
Corporation Merger, Reorganization or Consolidation	<ul style="list-style-type: none"> - Maryland Title – Properly assigned <ul style="list-style-type: none"> - Application for Certificate of Title completed - either on the reverse of the Maryland title, or form VR-005 - A letter on letterhead from an attorney or CPA licensed to practice in Maryland, stating whether or not the transaction is excise tax exempt under 13-810(c)(8). <u>If the transaction is determined to be “excise tax exempt”, no safety inspection is required, and the tags may be transferred.</u> <ul style="list-style-type: none"> - If the transaction is determined to be taxable, safety inspection and new tags are required. - If there is an existing lien, we need a letter of authorization from the lien holder or lien release. Please note if the letter of authorization states his is a transfer of equity, an additional lien filing fee must be paid. <ul style="list-style-type: none"> - Other fees: Title fee and Lien Filing fee (if applicable)

<p>Corporation, Limited Liability Company (LLC), Partnership</p> <p>To</p> <p>Newly Formed Subsidiary Corporation, Subsidiary LLC, or Subpartnership</p>	<ul style="list-style-type: none"> - Maryland Title – Properly assigned - Application for Certificate of Title, completed - either on the reverse of the Maryland title, or form VR-005. - A certified statement from the corporation, limited liability company, or partnership that they are a principal stockholder, member, or partner in the newly formed subsidiary corporation, subsidiary limited liability company, or subsidiary partnership <ul style="list-style-type: none"> - Articles of incorporation, articles of organization, or a partnership agreement for the newly formed business entity <ul style="list-style-type: none"> - <u>Excise Tax Exempt, Maryland Safety Inspection Required, and Purchase New Registration Plates</u> - If there is an existing lien, we need a letter of authorization from the lien holder or lien release. Please note if the letter of authorization states this is a transfer of equity, an additional lien filing fee must be paid. Other fees: Title fee and Lien Filing fee(if applicable)
<p>Corporation or Limited Liability Company, Dissolving</p> <p>To</p> <p>A Principle Stockholder or Member</p>	<ul style="list-style-type: none"> - Maryland Title – Properly assigned - Application for Certificate of Title, completed - either on the reverse of the Maryland title, or form VR-005. - Verified Statement (form VR-257) – Form VR-257 http://mvgbformsrv/FormsRepo/VR/VR-257.pdf where principal stockholder of the corporation or member of the limited liability company certifies the business entity is dissolving and they are either a principal stockholder or member of the dissolving business entity. - <u>Excise Tax Exempt and Purchase New Registration Plates. May be exempt from Maryland Safety Inspection if qualification of law is met as stated on the VR-257</u> - If there is an existing lien, we need a letter of authorization from the lien holder or lien release. Please note if the letter of authorization states this is a transfer of equity, an additional lien filing fee must be paid. - Other fees: Title fee and Lien Filing fee (if applicable)
<p>Partnership Dissolving</p> <p>To</p> <p>A Partner</p>	<ul style="list-style-type: none"> - Maryland Title – Properly Assigned - Application for Certificate of Title, completed - either on the reverse of the Maryland title, or form VR-005 - Taxable (prorated) - Excise tax is prorated depending on the number of partners in the partnership (for example, if there were 2 partners in the partnership, 1/2 tax would be required; if there were 3 partners in the partnership, 2/3 tax would be required; if there were 4 partners 3/4 tax would be required etc. Note: There is no excise tax exemption for dissolving partnerships <ul style="list-style-type: none"> - Purchase new registration plates - Maryland Safety Inspection required

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