



**Colorado
Legislative
Council
Staff**

SB16-140

FISCAL NOTE

FISCAL IMPACT: State Local Statutory Public Entity Conditional No Fiscal Impact

Drafting Number: LLS 16-0686	Date: March 18, 2016
Prime Sponsor(s): Sen. Sonnenberg Rep. Kraft-Tharp	Bill Status: Senate Transportation Fiscal Analyst: Matt Kiszka (303-866-6275)

BILL TOPIC: MOTOR VEHICLE DEALER CERTIFICATE OF TITLE

Fiscal Impact Summary	FY 2016-2017	FY 2017-2018
State Revenue	Minimal decrease.	
State Expenditures	Minimal workload increase.	
TABOR Impact	Minimal decrease.	
Appropriation Required: None.		
Future Year Impacts: Ongoing minimal revenue decrease.		

Summary of Legislation

Under current law, a motor vehicle dealer has 30 days following a sale to deliver or facilitate the delivery of the vehicle's certificate of title. At the time of sale, the dealer issues a temporary registration plate so that the vehicle can be driven by the purchaser before the title is received and the vehicle can be registered.

The bill exempts any amount of time within the first 120 days during which the dealer is awaiting information or action from another party from counting towards the 30-day deadline. In addition, the dealer may issue a second temporary registration plate to the owner if every reasonable action necessary has been taken by the dealer to facilitate delivery of the title. The bill also clarifies that the holder of a lien on a motor vehicle need not submit the certificate of title to a county clerk and recorder office in order to perfect the lien.

Background

Current practice. When a motor vehicle dealer sells an individual a car, the dealer submits the certificate of title or application for certificate of title, bill of sale, and all other required documents to the purchaser, the holder of a mortgage or lien on the motor vehicle, or the county clerk within its jurisdiction, and also transmits the applicable taxes and fees it collects.

If a vehicle is sold outside of the dealer's jurisdiction, payment of sales tax in the purchaser's home county is required to complete the new title application process and must be collected by the dealer or the county. If the dealer does not collect the appropriate amount of sales

tax and remit it to the county, the county must contact the purchaser to request the balance due in order to complete the application. The most common practice is for the county to notify the customer and allow 30 days for payment of the outstanding taxes.

Once the county clerk receives the required documentation, taxes, and fees for a motor vehicle, and approves and processes the application for title, it documents the date of acceptance. If the documentation is incomplete or inaccurate, it is returned to the dealer to be corrected. If the vehicle is financed, county clerks are required to document when the security agreement is received as the date of acceptance.

At the end of the 60-day temporary registration period, the customer is contacted by the lienholder, or contacts or visits their county clerk. If the paperwork has been processed, the vehicle purchaser may secure their title, if applicable, registration, and license plates. If the paperwork has not been processed, the county of residence will verify the status of the paperwork and issue another temporary permit for a fee of \$6.22. Of this fee, \$4.00 (Clerk Hire Fee) and \$1.60 (County Registration Fee) are retained by the county. In addition, \$0.40 (State Registration Fee) and \$0.22 (Material Fee) are distributed to the Department of Revenue for deposit in the Highway User Tax Fund and License Plate Cash Fund, respectively.

Senate Bill 15-090 required the Department of Revenue (DOR) to implement a temporary plate system that motor vehicle dealers can access and use to issue temporary plates to a customer at the dealership; this system is anticipated to be fully implemented by July 1, 2016. The new system will allow for a dealer to enter a reason for issuing a second temporary registration permit and will allow the DOR and county clerks to access these reasons for auditing and tracking purposes.

State Revenue

Beginning in FY 2016-17, revenue from fees to the Highway User Tax Fund (HUTF) and the License Plate Cash Fund (LPCF) will minimally decrease in the DOR. To the extent that second temporary plates are obtained by motor vehicle purchasers directly from their dealers instead of county clerks, there will be a decrease in revenue to the DOR from state fees (\$0.62 per transaction) collected for temporary plates. This amount has not been quantified, but is expected to be minimal.

TABOR Impact

This bill will reduce state fee revenue, which will reduce the amount of money required to be refunded under TABOR. TABOR refunds are paid out of the General Fund.

State Expenditures

Beginning FY 2016-17, the DOR is anticipated to have a minimal increase in workload for training authorized agents, DOR staff, dealers, law enforcement, and other entities affected by the bill. DOR rules, forms, manuals, and websites will also require updating. This workload is expected to be minimal and can be accomplished within existing appropriations.

Local Government Impact

County clerk and recorders. To the extent that purchasers of motor vehicles from dealers are confused about where to obtain a second temporary registration permit, county clerks may experience an increase in workload from additional phone calls and in-person visits to respond to customer inquiries. In addition, any second temporary registration permits obtained by purchasers directly from their dealers will result in a decrease in revenue for county clerks, with a corresponding decrease in workload for clerks to process and provide these permits.

HUTF. The bill is expected to minimally reduce HUTF revenue, which will minimally reduce HUTF distributions to cities and counties.

Effective Date

The bill takes effect August 10, 2016, if the General Assembly adjourns on May 11, 2016, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Clerk and Recorder
Municipalities
Sheriffs

Counties
Public Safety

Information Technology
Revenue