



Legislative
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HB 18-1347

**FINAL
FISCAL NOTE**

Drafting Number: LLS 18-1153
Prime Sponsors: Rep. Sandridge

Date: June 22, 2018
Bill Status: Postponed Indefinitely
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Bill Topic: BIENNIAL REGISTRATION MOTOR VEHICLES DEPT REVENUE

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input checked="" type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill requires the Department of Revenue to promulgate rules offering motor vehicle owners the option to register their vehicle biennially. Beginning in FY 2018-19, it changes the distribution of state revenue and increases state expenditures on an ongoing basis.

Appropriation Summary: In FY 2018-19, this bill requires an appropriation of \$958,542 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under HB 18-1347**

		FY 2018-19	FY 2019-20	FY 2020-21
Revenue	Cash Funds	\$78,192,396	\$80,067,269	(\$75,423,528)
Expenditures*	General Fund	\$945,717	\$1,923,321	\$1,652,998
	Cash Funds	\$12,825	-	-
	Total	\$958,542	\$1,923,321	\$1,652,998
Transfers		-	-	-
TABOR Refund	General Fund	\$78,192,396	\$80,067,269	(\$75,423,528)

* The bill's change to specific ownership tax collections may impact the state share of school finance, which is not included in this table, but is discussed in the State Expenditures section.

Summary of Legislation

Under current law, the Department of Revenue (DOR) is authorized to register motor vehicles biennially; however, it does not currently offer biennial registration periods to motor vehicle owners. The bill requires DOR to offer biennial registration periods to all motor vehicle owners.

Background

Vehicle registration. Vehicles in Colorado are registered for a 12-month period, with registration expiring on the last day of the month of the 12-month registration period. Certain vehicles (utility trailers, special mobile machinery) qualify for a five-year registration period. Vehicles may also be registered at intervals less than one year in order allow owners of multiple vehicles to have their vehicle registrations expire simultaneously.

Persons titling or registering a vehicle in Colorado pay registration fees and surcharges, and, when registering a new vehicle, title fees. Registration fees are based on the empty weight and type of vehicle. For a list of registration fees, please see the appendix.

Specific ownership tax. Vehicles are also charged a specific ownership tax at registration. The specific ownership tax is assessed on motor vehicles annually and is calculated based on a vehicle's value and age. It is distributed to cities, counties, special districts, and school districts in proportion to property taxes levied by those entities. Exemptions are made for government vehicles, agricultural machinery, mobile homes, and vehicles owned by military personnel and certain veterans.

State Revenue

This bill is expected to increase total revenue from vehicle registration fees by \$78.2 million in FY 2018-19 and \$80.1 million in FY 2019-20, and decrease revenue by \$75.4 million in FY 2020-21.

Assumptions. The following assumptions and data were used to calculate the revenue impact of this bill:

- *Population.* In FY 2018-19, there will be an estimated 5,792,806 vehicles registered in Colorado. It is assumed that the number of vehicle registrations will grow by 1.77 percent annually. It is assumed that approximately 15 percent of drivers will begin registering their vehicles biennially in FY 2018-19, an additional 35 percent of vehicles will begin registering their vehicles biennially in FY 2019-20, and that 50 percent of vehicles register will register biennially in future years. These percentages are prorated to account for the January 1, 2019, effective date of the bill.
- *Fee.* The average total of vehicle registration fees is \$89.49, and the average amount of SOT paid by all vehicles is \$104.33. The revenue impact assumes that two years of fee revenue will be collected for drivers registering their vehicle biennially. See Technical Note.

Registration fees. While this bill will not change overall net revenue, it will change the distribution of revenue in future years. Under this bill, 24 months of registration fees are collected for some vehicles at one time, resulting in a total increase of registration fee revenue of \$77.6 million in FY 2018-19, \$79.7 million in FY 2019-20, and a decrease of revenue of \$75.0 million in FY 2020-21. The average annual registration fee is \$89.49, of which \$16.20 is retained by counties for registration processing. State revenue from registration fees is credited to the DRIVES Vehicle Services Account, the License Plate Cash Fund, the AIR Account, the Peace Officers Standards Training Fund, the Clean Screen Account, and the Highway Users Tax Fund.

Specific ownership tax. This bill is expected to increase state share of revenue from the SOT by \$434,460 in FY 2018-19 and \$393,896 in FY 2019-20, and decrease it by \$419,076 in FY 2020-21. The DRIVES Vehicles Services Account receives \$0.50 for every vehicle registration from the SOT. The rest of the SOT is paid at the time a vehicle is registered and is retained by the county registering the vehicle. For more information on county SOT collections, see the Local Government section.

TABOR Refund

This bill increases state revenue from fees by \$78.2 million in FY 2018-19 and \$80.1 million in FY 2019-20, which will increase the amount of money required to be refunded under TABOR for FY 2019-20. Since the bill increases the TABOR refund obligation without a corresponding change in General Fund revenue, the amount of money available in the General Fund for the budget will decrease by an identical amount in FY 2019-20. State revenue subject to TABOR is not estimated for years beyond FY 2019-20.

State Expenditures

This bill will increase state General Fund expenditures in the Department of Revenue by \$945,717 million in FY 2018-19, \$1.9 million in FY 2019-20, and \$1.7 million in FY 2020-21. Additionally, it will increase cash fund expenditures in the Department of Revenue by \$12,825 in FY 2018-19. These impacts are described below.

Assumptions. The fiscal note assumes General Fund is required for DOR costs under the bill, as the License Plate Cash Fund can not sustain additional expenditures and maintain inventory. Costs in FY 2019-20 are prorated to reflect the January 1, 2019, effective date of the bill.

Printing of annual registration and title notifications. This bill will increase General Fund expenditures in DOR by \$798,000 in FY 2018-19, \$1.6 million in FY 2019-20, and \$1.7 million in FY 2020-21 to mail annual title completion and registration renewal notifications. DOR will be required to change the title and registration renewal notifications that are sent annually to include both one year and two year taxes and fees due at the time of registration, which will require larger mailings. As a result, the current printing cost will increase from \$0.01 to \$0.07 for each mailing, and the current postage cost will increase from \$0.25 to \$0.50 for each mailing. DOR currently sends approximately 5.8 million renewal post cards and 1.8 million title complete notices per year.

Tab production. General Fund expenditures will increase in the Department of Revenue to print tabs for biennial registrations. These will be printed in addition to current annual registrations for the first two years until actual biennial registration demand can be measured. Tabs cost \$0.17. It is assumed that 868,921 biennial tabs will be needed in FY 2018-19, at a cost of \$147,717, and 1,759,246 will be needed in FY 2019-20, at a cost of \$299,072.

DRIVES programming. This bill will increase expenditures in the DRIVES Vehicle Services Account by \$12,825 to program the DRIVES system to allow for a two year registration option. This will require 57 hours of programming will be required at \$225 per hour. It is assumed that this expenditure will be paid for from the existing appropriation in the DRIVES Vehicle Services Account.

School finance. This bill increases county revenue from SOT collections by \$93,551,656 in FY 2018-19 and \$95,836,063 in FY 2019-20, and decreases revenue by \$84,445,220 in FY 2020-21. SOT counts as part of the local share of school finance and any reduction in this source of funding must be backfilled by an increase in state aid. Approximately 28 percent of SOT revenue is attributable to school finance, so the reduction in SOT caused by this bill will require a decrease in state aid of about \$26,194,464 in FY 2018-19 and \$26,834,098 in FY 2019-20, and an increase in state in FY 2020-21 of approximately \$23,644,662.

Local Government

Similar to the state, this bill will change the distribution of funds to counties and municipalities in future years, as described below.

Registration fees. Counties retain an average of \$16.20 for every vehicle registration processed. County revenue from registration fees is expected to increase \$14.1 million in FY 2018-19 and \$14.4 million in FY 2019-20, and decrease by \$13.6 million in FY 2020-21.

Specific ownership tax. This bill will increase county revenue from SOT collections by \$93,551,656 in FY 2018-19 and \$95,836,063 in FY 2019-20, and decrease revenue by \$84,445,220 in FY 2020-21. Under current law, SOT averages \$104.33 per vehicle owner, per year. Of this amount, \$103.83 is county-retained.

School finance. The change in revenue from SOT collections may necessitate increases or decreases in state aid to schools. See the State Expenditures section for more information .

Highway Users Tax Fund. The local government share of HUTF revenue collected from registration fees is expected to increase by \$11,614,282 in FY 2018-19 and \$17.9 million in FY 2019-19, and decrease by \$5.0 million in FY 2020-21. HUTF revenue from registration fees is distributed to counties (22 percent) and to municipalities (18 percent).

Workload impact. By allowing vehicles to register for a 24 month period, it is expected that the workload of certain county clerk and recorders offices, acting as agents of DOR, will experience a decrease in workload.

Technical Note

The revenue impacts in the fiscal note assume that two years of registration fees will be collected at the time of registration for drivers registering biennially. Under current law, statute typically specifies that registration fees are collected at the time of registration. Under this bill, drivers would only pay a one-time registration fee at the time of registration. Drivers who register annually would pay the fee every year, and drivers registering biennially would pay the fee every two years, or half what annual registrants pay. In order to allow for an equitable collection of fees, various registration fees would need to allow for two years of fees to be collected for drivers registering biennially.

Without this change, overall state revenue from registration fees would decrease by \$77.8 million in FY 2019-20 and \$157.4 million in FY 2020-21.

Effective Date

The bill was postponed indefinitely by the House Transportation and Energy Committee on April, 25, 2018.

State Appropriations

In FY 2018-19, this bill requires appropriation of \$945,717 from the General Fund to the Department of Revenue. It also requires an appropriation of \$12,825 from the DRIVES Vehicle Services Account to the Department of Revenue.

State and Local Government Contacts

Counties
Revenue
Law

County Clerks
Transportation

Information Technology
Public Health and Environment

Appendix A

**Table 2
Colorado Vehicle Registration Fees and Uses**

Fee	Amount	Use
Registration Fee	<ul style="list-style-type: none"> • \$3.00 for motorcycles • \$6.00 for passenger vehicles up to 2,000 pounds, plus \$0.20 extra per 100 pounds up to 4,500 pounds; and • \$12.50 for passenger vehicles 4,500 pounds or more, plus \$0.60 each additional 100 pounds 	<p>This fee is credited to the Highway Users Tax Fund.</p> <p>(Section 42-3-306 (2), C.R.S.)</p>
Road Safety Surcharge	<ul style="list-style-type: none"> • \$16.00 for motorcycles and vehicles weighing 2,000 pounds or less; • \$23.00 for vehicles weighing 2,001 to 5,000 pounds; • \$28.00 for vehicles weighing 5,001 to 10,000 pounds; • \$37.00 for passenger buses and vehicles weighing 10,001 to 16,000 pounds; and • \$39.00 for vehicles weighing more than 16,000 pounds. 	<p>This fee is credited to the Highway Users Tax Fund.</p> <p>(Section 43-4-804 (1), C.R.S.)</p>
Bridge Safety Surcharge	<ul style="list-style-type: none"> • \$13.00 maximum surcharge for motorcycles, trailer coaches, multipurpose trailers, and vehicles weighing 2,000 pounds or less; • \$18.00 maximum surcharge for vehicles weighing 2,001 to 5,000 pounds; • \$23.00 maximum surcharge for vehicles weighing 5,001 to 10,000 pounds; • \$29.00 maximum surcharge for vehicles weighing 10,001 to 16,000 pounds or passenger buses; and • \$32.00 maximum surcharge for vehicles weighing more than 16,000 pounds. 	<p>This fee is credited to the Bridge Special Fund. The Bridge Safety Surcharge has scheduled fee increases set for subsequent fiscal years.</p> <p>(Section 43-4-805 (3)(a), C.R.S.)</p>
Public Highway Authority Fee	<ul style="list-style-type: none"> • \$10.00 	<p>This fee is collected annually for vehicles registered within public highway authority boundaries. The fee is applied to the financing, construction, operation, or maintenance of public highways.</p> <p>(Section 43-4-506 (1)(k), C.R.S)</p>
Emissions Control Fees	<ul style="list-style-type: none"> • \$0.50 for all vehicles, plus \$0.70 extra, to be collected and retained by the county, for vehicles in the emissions program area; and • \$1.50 for vehicles in the emissions program area. 	<p>These fees are assessed at registration and are credited to the AIR account. The fees are used for emissions program enforcement efforts and administration of the program by the Department of Public Health and Environment and the Department of Revenue.</p> <p>(Section 42-3-304 (18)(a) and (18)(b), C.R.S.)</p>

**Table 2
Colorado Vehicle Registration Fees and Uses**

Fee	Amount	Use
Additional Highway Fee (based on the age of the vehicle)	<ul style="list-style-type: none"> • \$12.00 for vehicles under 7 years old; • \$10.00 for vehicles between 7 and 10 years old; and • \$7.00 for vehicles 11 years old and older 	<p>All fees are credited to the Highway Users Tax Fund.</p> <p>(Section 42-3-306 (2)(b)(II), C.R.S.)</p>
Emergency Medical Services Fee	<ul style="list-style-type: none"> • \$2.00 	<p>This fee is credited to the Emergency Medical Services Account in the Highway Users Tax Fund.</p> <p>(Section 42-3-304 (21), C.R.S.)</p>
Additional Registration Fee	<ul style="list-style-type: none"> • \$0.50 for motor vehicles not exempted from the Motorist Insurance Identification Fee; and • \$0.10 for motor vehicles exempted from the Motorist Insurance Identification Fee. 	<p>This fee is credited to the DRIVES Vehicle Services Account.</p> <p>(Section 42-3-306 (14)(a), C.R.S.)</p>
Motorist Insurance Identification Fee	<ul style="list-style-type: none"> • adjusted annually 	<p>This fee is credited to DRIVES Vehicle Services Account.</p> <p>(Section 42-1-211 (2), C.R.S.)</p>
Motorcycle Surcharge Fee	<ul style="list-style-type: none"> • \$4.00 	<p>This fee is collected for all motorcycle registrations and credited to the Motorcycle Operator Safety Training Fund.</p> <p>(Section 42-3-304 (4), C.R.S.)</p>
Diesel Fee	<ul style="list-style-type: none"> • \$10.00 	<p>This fee is collected for all qualified diesel vehicles registering within the AIR program area and credited to the AIR account.</p> <p>(Section 42-3-304 (20), C.R.S.)</p>
Peace Officers Standards and Training (P.O.S.T.) Board Fee	<ul style="list-style-type: none"> • \$1.00 	<p>This fee is collected at registration on Class A, B, and C vehicles to support the training activities of the P.O.S.T. Board, facilitated by the Department of Law.</p> <p>(Section 42-3-304 (24), C.R.S.)</p>
Road and Bridge Fees	<ul style="list-style-type: none"> • \$1.50 	<p>This fee is collected for the maintenance of highways, roads, and bridges.</p> <p>(Section 42-3-310, C.R.S.)</p>
Plug-in Electric Vehicle Fee	<ul style="list-style-type: none"> • \$50.00 	<p>This fee is collected annually on plug-in electric vehicles. \$30 of the fee is credited to the Highway Users Tax Fund, and \$20 is credited to the Electric Vehicle Grant Fund in the Colorado Energy Office.</p> <p>(Section 42-3-304 (25), C.R.S.)</p>

Specific ownership tax. Two calculations are necessary to determine the SOT based on the vehicle's value and age.

Value. The value calculation, shown in Table 3, uses the class — and, in the case of trucks, weight — of the vehicle to determine the percentage of the Manufacturer's Suggested Retail Price (MSRP) that applies to SOT.

Age. To account for depreciation, the SOT assessment on a vehicle decreases each year until it hits a flat rate in the tenth vehicle year, as shown in Table 4.

**Table 3
Specific Ownership Taxable Value by Motor Vehicle Class**

Class	Description	Taxable Value
A	Truck, truck tractor, trailer, or semitrailer classified as an interstate commercial carrier and used to transport persons or property over public highways	< 16,000 lbs. = 75% of MSRP > 16,001 lbs. = actual purchase price
B	Truck, truck tractor, trailer, or semitrailer classified for personal use and not used to transport persons or property over public highways in the state	< 16,000 lbs. = 75% of MSRP > 16,001 lbs. = actual purchase price
C	Motor vehicles not included in Class A or Class B (largely passenger vehicles)	85% of MSRP
D	Utility trailer, camper trailer, multipurpose trailer, and trailer coach	85% of MSRP
F	Special mobile machinery not used for agricultural purposes and self-propelled construction equipment	85% of MSRP if available or 100% of its original retail delivered price

*MSRP is manufacturer's suggested retail price.
Source: Sections 42-3-106 and 107, C.R.S.*

**Table 4
Specific Ownership Tax Rates by Year of Registration**

Year	Classes A - B	Class C	Class D	Class F
1	2.10%	2.10%	2.10%	2.10%
2	1.50%	1.50%	1.50%	1.50%
3	1.20%	1.20%	1.20%	1.25%
4	0.90%	0.90%	0.90%	1.00%
5	0.45 or \$10*	0.45%	0.45%	0.75%
6-9	0.45% or \$10*	0.45%	0.45%	0.50% or \$5*
10 +	\$3	\$3	0.45% or \$3	0.50% or \$5*

*Source: Section 42-3-107, C.R.S.
Whichever is greater