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FISCAL NOTE

Drafting Number: LLS 19-0942 **Date:** April 22, 2019
Prime Sponsors: Sen. Gonzales; Scott **Bill Status:** Senate Business
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Bill Topic: LICENSE BUSINESS SELLING ITS USED MOTOR VEHICLES

- Summary of Fiscal Impact:**
- State Revenue
 - State Expenditure
 - State Transfer
 - TABOR Refund
 - Local Government
 - Statutory Public Entity

The bill creates a new motor vehicle business disposal license and sets provisions for license denial, suspension, and revocation. The bill increases state revenue and expenditures beginning in FY 2019-20.

Appropriation Summary: In FY 2019-20, the bill requires an appropriation of \$14,000 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill.

Table 1
State Fiscal Impacts Under SB 19-256

		FY 2019-20	FY 2020-21
Revenue		-	-
Expenditure	Cash Funds	\$14,000	-
Transfer		-	-
TABOR Refund		-	-

Summary of Legislation

The bill creates a new motor vehicle business disposal license. The license allows businesses to sell used motor vehicles that have been owned by the business for more than a year, are exclusively used for business purposes, are titled in the name of the business, and for which all taxes have been paid. A business only qualifies for the disposal license if motor vehicle sales do not exceed 20 percent of the business's gross revenue. In addition, the bill enumerates the grounds for which a business disposal license may be denied, suspended, or revoked by the Colorado Motor Vehicle Dealer Board.

Background

The Colorado Motor Vehicle Dealer Board in the Department of Revenue (DOR) processes and reviews license applications for entities and individuals selling motor vehicles and powersports vehicles. The board also generally enforces the laws regarding licensees, including holding hearings, ordering corrective actions, and resolving consumer complaints and setting fees for the Automobile Industry Division. The division employs criminal investigators to review and evaluate consumer complaints against licensees.

Assumptions

This fiscal note assumes it is unknown at this time how many businesses may qualify for a business disposal license. It is unclear how many currently licensed businesses may qualify for the new business disposal license. Subject to further rulemaking, it is unknown whether businesses will need one business disposal license or each business location will require a separate license, and whether licenses will need to be renewed. However, the fiscal note assumes that some equipment rental companies may qualify and that the total number of equipment rental companies in Colorado is unknown. This fiscal note will be updated if more information becomes available.

State Revenue

To the extent that current businesses qualify for the new business disposal license, fee revenue will increase. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. The fee amount has not been estimated as the number of potential licensees has not been determined. Actual fees will be set administratively by DOR based on cash fund balance, estimated program costs, and the estimated number of licenses subject to the fee.

State Expenditures

The bill increases state cash fund expenditures in DOR by \$14,000 in FY 2019-20. Workload will increase in DOR to update forms, manuals, and the department's website to reflect the change in law, as well as provide training for staff.

Computer programming. DOR requires \$14,000 to update and add a liability code to the current licensing administration software program to include the new business disposal license.

Potential costs. In future fiscal years, DOR expenditures may increase once the impact is known to engage in any required rulemaking; hire additional staff; administer licensing-related functions; handle business financial records; investigate licensee backgrounds and consumer complaints; and initiate disciplinary proceedings. This fiscal note assumes that any future expenditures will be covered by license fees and requested through the annual budget process.

Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

State Appropriations

In FY 2019-20, the bill requires an appropriation of \$14,000 to the Department of Revenue from the Auto Dealers Cash Fund.

State and Local Government Contacts

Information Technology Revenue