



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

FISCAL NOTE

Drafting Number:	LLS 20-0914	Date:	February 19, 2020
Prime Sponsors:	Rep. Valdez D.; Landgraf Sen. Fields	Bill Status:	House Finance
		Fiscal Analyst:	Jeff Stupak 303-866-5834 Jeff.Stupak@state.co.us

Bill Topic: **DISABLED VETERAN REGISTRATION FEES & OWNERSHIP TAX**

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 allows a veteran with a disability to be exempted from paying registration fees and specific ownership tax without being issued the disabled veteran license plate. The bill will decrease state and local revenue beginning in FY 2020-21 and increase state expenditures in FY 2020-21 only.

Appropriation Summary: In FY 2020-21, the bill requires an appropriation of \$6,300 to the Department of Revenue.

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

Table 1
State Fiscal Impacts Under HB 20-1190

		FY 2020-21	FY 2021-22
Revenue	Cash Funds	(\$446,410)	(\$595,064)
		(\$446,410)	(\$595,064)
Expenditures	General Fund	\$143,294	\$191,011
	Cash Funds	\$6,300	-
	Total	\$149,594	\$191,011
Transfers		-	-
TABOR Refund	General Fund	(\$446,410)	(\$595,064)

Summary of Legislation

Under current law, a veteran with a qualifying disability must obtain a disabled veteran license plate to qualify for an exemption from paying registration fees and specific ownership tax (SOT) on a single class B or C motor vehicle. The bill allows a qualifying veteran to claim this exemption without obtaining the disabled veteran license plate.

Assumptions

The fiscal note makes the following assumptions related to the population eligible for exemption under the bill:

- there are 57,635 qualifying disabled veterans in Colorado, based on information from the Department of Veterans and Military Affairs;
- similar to the overall population in Colorado, 5 percent of qualifying veterans do not have a motor vehicle;
- qualifying veterans own motor vehicles similar in age, price, and style to the broader population of Colorado for purposes of calculating decreased revenue;
- of the qualifying veterans that do not currently claim the exemption, 30 percent will claim the exemption in FY 2020-21 (6,454 additional qualifying veterans) and 40 percent will claim the exemption in FY 2021-22 (8,605 additional qualifying veterans); and
- 75 percent of exemptions will be applied toward registration renewals, which result in decreased revenue of \$152.45 per vehicle, and 25 percent will be applied toward new vehicle registrations, which result in decreased revenue of \$315.32 per vehicle.

State Revenue

The bill will decrease state revenue to various cash funds in the Department of Revenue by \$446,410 in FY 2020-21 and \$595,064 in FY 2021-22 as additional qualifying veterans claim the exemption from paying registration fees. Cash funds include the Highway Users Tax Fund (HUTF), the Licensing Services Cash Fund, and the License Plate Cash Fund, among others. Of the standard HUTF revenue generated under this bill, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the Department of Transportation, 26 percent is credited to counties, and 9 percent is credited to municipalities.

State Expenditures

The bill potentially increases state General Fund expenditures for school finance by \$143,294 and \$191,011, as shown in Table 2. For FY 2020-21 only, the bill will increase state cash fund expenditures by \$6,300 from the DRIVES Vehicles Services Account in the Department of Revenue (DOR). These impacts are discussed below.

School finance impact. Based on the share of SOT revenue that goes to school districts and is part of the local share for school finance, the decrease in SOT revenue may increase required state aid by \$143,294 in FY 2020-21 and \$191,011 in FY 2021-22 with ongoing impacts in future fiscal years. If the Budget Stabilization Factor remains unchanged, the SOT decrease will be offset by higher state aid.

Table 2
Change in Local Government SOT Collections Under SB 20-1190

	FY 2020-21	FY 2021-22
Local School SOT Revenue	(\$143,294)	(\$191,011)
Other Local Government SOT Revenue	(\$657,233)	(\$876,090)
Total Change in Local SOT Revenue	(\$800,527)	(\$1,067,101)

Department of Revenue. One-time programming costs of \$6,300 are required to update the DRIVES system to permit the exemption for qualifying veterans without the disabled veteran license plate. Programming costs assume 28 hours at a rate of \$225 per hour. Additionally, workload will increase to update rules, forms, manuals and DOR's website to reflect the change in law, as well as provide training to authorized agents, Vehicle Services Section staff, law enforcement, and other entities affected by the bill. The increase in workload can be accomplished with existing resources.

TABOR refund. The bill is expected to decrease state General Fund obligations for TABOR refunds by \$446,410 in FY 2020-21 and \$595,064 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly reduce the amount refunded to taxpayers via sales tax refunds made available on income tax returns for tax years 2021 and 2022, respectively. A forecast of state revenue subject to TABOR is not available beyond FY 2021-22.

Local Government and School Districts

The bill will decrease revenue to local governments and school districts beginning in FY 2020-21.

Specific ownership tax. In total, the bill will reduce SOT collections by an estimated \$800,527 in FY 2020-21 and \$1,067,101 in FY 2021-22 as shown in Table 2.

- *Municipalities, counties, and special districts.* SOT revenue to municipalities, counties, and special districts will decrease by \$657,233 in FY 2020-21 and \$876,090 in FY 2021-22, as shown in Table 2 above.
- *School districts.* SOT revenue that is part of the local share for school finance will be reduced by about \$143,294 in FY 2020-21 and \$191,011 in FY 2021-22; however, the state's share of funding may be increased, offsetting the decrease in SOT revenue.

Registration fees. The bill decreases HUTF revenue, of which 26 percent is distributed to counties and 9 percent is distributed to municipalities. There are also a number of fees paid when registering a vehicle that go directly to local governments, such as the clerk hire fee and the county road and bridge fee. Because registration fees are assessed in a unique way depending on vehicle characteristics, exact amounts have not been estimated.

Effective Date

The bill takes effect August 5, 2020, if the General Assembly adjourns on May 6, 2020, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2020-21, the bill requires an appropriation of \$6,300 from the Colorado DRIVES Vehicle Services Account to the Department of Revenue.

State and Local Government Contacts

Corrections
Information Technology

Counties
Revenue

County Clerks