



Legislative  
Council Staff

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**FISCAL NOTE**

**Drafting Number:** LLS 20-0985      **Date:** March 2, 2020  
**Prime Sponsors:** Rep. Van Winkle; Snyder      **Bill Status:** House Trans. & Local Govt.  
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**Bill Topic:**                      **OFF-HIGHWAY VEHICLE CERTIFICATES OF TITLE**

**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 makes changes to titling procedures and sales tax requirements for the transfer of off-highway vehicles, and grants off-highway vehicle dealers access to the Department of Revenue's vehicle services portal. The bill affects state and local revenue and increases state and local expenditures beginning in FY 2020-21.

**Appropriation Summary:** In FY 2020-21, the bill requires an appropriation of \$4,950 to the Department of Revenue.

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

**Table 1**  
**State Fiscal Impacts Under HB 20-1320**

		FY 2020-21	FY 2021-22
<b>Revenue</b>	Cash Funds	-	\$122,350
	<b>Total</b>	-	<b>\$122,350</b>
<b>Expenditures</b>	Cash Funds	\$4,950	\$77,399
	Centrally Appropriated	-	\$20,768
	<b>Total</b>	<b>\$4,950</b>	<b>\$98,167</b>
	<b>Total FTE</b>	-	<b>1.6 FTE</b>
<b>Transfers</b>		-	-
<b>TABOR Refund</b>	General Fund	-	\$122,350

## Summary of Legislation

The bill makes changes to titling procedures and sales tax requirements for the transfer of off-highway vehicles (OHV), and grants OHV dealers access to the Department of Revenue's (DOR) vehicle services portal.

**Certificate of title.** Current law requires an OHV to have a certificate of title unless it was first sold or transferred before July 1, 2014, and any subsequent transfers occurred between private parties, or if the vehicle is exclusively used for agricultural purposes on private land. The bill requires all OHV transfers to have a certificate of title on or after July 1, 2021, and continues the current agricultural exemption.

**Sales tax requirements.** The bill exempts private transfers of OHVs from state and local sales tax if the transfer occurred between July 1, 2014 and July 1, 2021.

**Off-highway vehicle dealers.** The bill authorizes licensed OHV dealers to electronically access the DOR's vehicle services portal to verify information under certain circumstances. DOR may charge a fee to OHV dealers to access the vehicle services portal.

The bill also allows a motor vehicle or OHV dealer to purchase an OHV without a title if the vehicle was never titled and was originally purchased in Colorado before July 1, 2014, or if the vehicle was originally purchased in Colorado before July 1, 2021 from a private individual.

## Background

Currently, OHV owners may elect, but are not required, to title their vehicle. If OHV owners elect to title their vehicle, owners must provide ownership documents and proof of sales tax paid, unless the transfer occurred before July 1, 2014.

Owners that purchased an OHV before July 1, 2014, or that transferred an OHV to an OHV dealer do not need a certificate of title, but instead must complete an affidavit. OHV dealers use the affidavit to obtain a certificate of title. If the OHV is already titled, or was purchased after June 30, 2014, the transfer of ownership is completed on the certificate of title.

OHV include motorcycles, dirt bikes, three-wheelers, ATVs, surplus military vehicles, and dune buggies that are operated on public lands and trails in Colorado. OHVs must be registered with Colorado Parks and Wildlife. All OHVs owned and operated in Colorado must display current registration stickers when in an OHV staging area or operated on designated trails or routes.

## Data and Assumptions

In 2019, Colorado Parks and Wildlife in the Department of Natural Resources issued 197,192 OHV annual permits. This does not include OHVs operated exclusively on private property and includes out-of-state OHVs permitted to access trails in Colorado. However, it is assumed that nearly all OHVs operated exclusively on private lands qualify for the agricultural exemption from the titling. It is further assumed that the number of OHVs will increase by 10 percent year over year.

According to data from the DOR, there are currently 81,330 off-highway vehicles with a certificate of title. Based on data and assumptions above, there are approximately 115,862 OHVs in Colorado without a certificate of title in FY 2020-21, and there will be approximately 127,448 OHVs without a title in FY 2021-22. Additionally, approximately 30 percent of motor vehicles are sold/transferred each year and issued a new certificate of title. The fiscal note assumes that OHVs experience the same transfer rate as motor vehicles.

**State Revenue**

The bill will decrease sales tax revenue in FY 2020-21 and increase state fee revenue to the DRIVES Cash Fund by \$122,350 in FY 2021-22.

**Sales tax revenue.** The bill will decrease sales tax revenue by an indeterminate amount in FY 2020-21 due to the extension of the sales tax exemption for the private sale of OHVs until July 1, 2021. Because these sales are made between private parties with no certificate of title, there is no data on the potential decrease in state sales tax revenue.

**Fee impact on OHV owners.** The bill requires all OHV transfers to have a certificate of title on or after July 1, 2020. Therefore, beginning in FY 2021-22, the bill will increase state cash fund revenue from increased titling fees. It is assumed that 38,234 OHVs will be required to obtain a title in order to be sold/transferred in FY 2021-22. Individuals are charged a fee of \$7.20 to obtain a new certificate of title, of which \$4.00 is retained by the county clerk in which the OHV is registered and \$3.20 is transferred to the DRIVES Cash Fund.

Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. These fee amounts are estimates only, actual fees will be set administratively by the DOR based on cash fund balance, estimated program costs, and the estimated number of titles subject to the fee. The table below identifies the fee impact of this bill.

**Table 2  
 Fee Impact on OHV Owners**

<b>Fiscal Year</b>	<b>Type of Fee</b>	<b>Proposed Fee</b>	<b>Number Affected</b>	<b>Total Fee Impact</b>
FY 2020-21	Certificate of Title	-	-	-
<b>FY 2020-21 Total</b>				-
FY 2021-22	Certificate of Title	\$7.20	\$38,234	\$275,285
<b>FY 2021-22 Total</b>				<b>\$275,285</b>
<b>DRIVES Cash Fund</b>				<b>\$122,350</b>
<i>Counties</i>				<i>\$152,938</i>

**State Expenditures**

The bill increases state cash fund expenditures in the DOR by \$4,950 in FY 2020-21, and by \$96,128 in FY 2021-22, as shown in Table 3 and discussed below.

**Table 3  
 Expenditures Under HB 20-1320**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>
<b>Department of Revenue</b>		
Personal Services	-	\$60,935
Operating Expenses	-	\$2,160
Capital Outlay Costs	-	\$12,400
DRIVES Programming	\$4,950	-
Secure Paper	-	\$1,904
Centrally Appropriated Costs*	-	\$20,768
<b>Total Cost</b>	<b>\$4,950</b>	<b>\$98,167</b>
<b>Total FTE</b>		<b>1.6 FTE</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**DRIVES programming.** Programming costs of \$4,950 in FY 2020-21 only are required to update the DRIVES system to search for and return OHV records to OHV dealers. Programming costs are assumed at 22 hours at a rate of \$225 per hour.

**Staffing costs.** The DOR requires an additional 1.6 FTE administrative assistant beginning in FY 2021-22 to review and verify the ownership of OHVs when individuals seek a certificate of title for the first time and to manage additional users interacting with the vehicle services portal.

The bill will also increase workload in DOR to complete a number of tasks, including:

- processing applications from OHV dealers and establishing their accounts to access the vehicle services portal from DOR;
- updating rules, forms, manuals, and websites to reflect the change in law; and
- providing training to county clerks, OHV dealers, the Vehicle Services section, law enforcement, and other entities affected by the bill.

This increase in workload can be accomplished within existing appropriations.

**Secure paper.** Colorado certificates of title are printed on secure paper that costs approximately 50 cents per page. Expenditures will increase by \$1,904 to produce an additional 38,234 certificates of title in FY 2021-22.

**Centrally appropriated costs.** Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which include employee insurance and supplemental employee retirement payments, are estimated to be \$20,768 in FY 2021-22.

**TABOR refunds.** The bill is expected to decrease state General Fund obligations for TABOR refunds by an indeterminate amount in FY 2020-21 and to increase state General Fund obligations by \$122,350 in FY 2021-22. Under current law and the December 2019 Legislative Council Staff forecast, the bill will correspondingly affect 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**

The bill will increase revenue and expenditures for county clerks beginning in FY 2021-22. As shown in Table 2, county clerks retain \$4.00 of every \$7.20 title fee collected to process and issue a certificate of title; as such, the bill is expected to increase revenue to the county clerks by \$152,938 in FY 2021-22. The bill will also increase expenditures by county clerks to process the new certificate of title transactions by approximately \$101,250.

Additionally, the exemption from local sales tax for the transfer of OHV between July 1, 2014 and July 1, 2021 will reduce local government sales tax revenue by an indeterminate amount in FY 2020-21.

### **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 \$4,950 from the Colorado DRIVES Vehicle Services Account to the Department of Revenue.

### **State and Local Government Contacts**

Counties Revenue	County Clerks Transportation	Information Technology
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