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REVISED FISCAL NOTE

(replaces fiscal note dated March 9, 2020)

Drafting Number: LLS 20-1057 Date: March 25, 2020
Prime Sponsors: Rep. Melton; Van Winkle Sen. Todd Bill Status: House Finance
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Bill Topic: MOTOR VEHICLE DEALER DEMONSTRATION PLATES

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

The bill allows a motor vehicle dealer to use demonstration plates, rather than a dealer plate, under certain circumstances. The bill decreases state and local revenue beginning in FY 2020-21 and increases state expenditures in FY 2020-21 only.

Appropriation Summary: In FY 2020-21, the bill requires an appropriation of \$43,832 to the Department of Revenue.

Fiscal Note Status: The fiscal note reflects the introduced bill, as amended by the House Transportation & Local Government Committee.

Table 1 State Fiscal Impacts Under HB 20-1339

Table with 3 columns: Category, FY 2020-21, FY 2021-22. Rows include Revenue (Highway Users Tax Fund, License Plate Cash Fund, Total), Expenditures (License Plate Cash Fund, Total), Transfers, and TABOR Refund.

* The revenue reduction to the HUTF may be less than these amounts, depending on motor vehicle dealer behavior. See Background and Assumptions section.

Summary of Legislation

The bill allows a motor vehicle dealer to use a demonstration plate, rather than a full-use dealer plate (dealer plate), for a motor vehicle when:

- the vehicle is offered for sale by the dealer on the dealer's property;
- the vehicles is driven by a prospective buyer for test-drive purposes during business hours;
- the vehicle is driven by a prospective buyer for test-drive purposes outside of business hours if the prospective buyer has a letter, electronic mail, or record within the vehicle from the dealer containing information specified in the bill; or
- the vehicle is driven by a dealer employee during business hours to conduct legitimate dealership business.

A motor vehicle dealer may not use a demonstration plate for certain motor vehicles, including tow vehicles, parts pickup or delivery vehicles, courtesy shuttle vehicles, rental vehicles, haulers, or vehicles bearing the dealer's name or advertisement.

Background and Assumptions

Dealer plates may be used for vehicles owned and offered for sale by the dealer; however, they can not be used for vehicles that are commonly used by the dealer as a tow truck, or parts pickup or delivery vehicle. There are currently 10,796 dealer plates outstanding in Colorado. The DOR charges an annual fee of \$393.35 for a regular dealer plate, \$175.04 for a motorcycle dealer plate, and \$866.41 for a special mobile machinery dealer plate. Under the bill and current law, the annual fee for a regular demonstration plate will be \$15.83, \$14.17 for a motorcycle demonstration plate, and \$15.83 for a special mobile machinery demonstration plate.

Given the significant difference in fee amounts between the dealer plate and the demonstration plate, and the similarly acceptable uses for the two plates, the fiscal note assumes that nearly all dealer plates will be exchanged for demonstration plates. Additionally, for purposes of calculating revenue and expenditures, the fiscal note assumes that 100 percent of dealer plates are for regular motor vehicles.

State Revenue

The bill decreases state cash fund revenue in the DOR by up to \$4.0 million in FY 2020-21 and by up to \$4.1 million in FY 2021-22 as shown in Table 2 and discussed below.

Fee impact on motor vehicle dealers. 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, program costs, and the number of license plates subject to the fee. The table below identifies the fee impact of this bill.

Table 2
Fee Impact on Motor Vehicle Dealers

Type of Fee	Current Fee	Number Affected	Total Fee Impact
FY 2020-21			
Dealer plate*	\$393.35	(10,796)	(\$4,246,607)
Demonstration plate	\$15.83	10,796	\$170,901
License plate fee	\$4.06	10,796	\$43,832
FY 2020-21 Total			(\$4,031,874)
FY 2021-22			
Dealer plate*	\$393.35	(10,796)	(\$4,246,607)
Demonstration plate	\$15.83	10,796	\$170,901
FY 2021-22 Total			(\$4,075,706)

* The reduction in dealer plate revenue may be less than this amount if dealers choose to continue using dealer plates rather than switch to demonstration plates.

HUTF revenue. Beginning in FY 2020-21, the bill decreases revenue to the Highway Users Tax Fund (HUTF) by up to \$4.1 million as motor vehicle dealers opt to exchange dealer plates for the less expensive demonstration plates. Of the standard HUTF revenue lost 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. These figures assume that all 10,796 dealer plates will be exchanged for demonstration plates. If fewer exchanges occur, decreases in revenue will be lower.

Dealer plates. In FY 2020-21 only, the bill increases revenue to the License Plate Cash Fund by up to \$48,832 as new demonstration plates are subject to a one-time fee of \$4.06.

State Expenditures

In FY 2020-21 only, the bill increases expenditures in the DOR by up \$48,832 to produce new demonstration plates, as it costs \$4.06 to produce each demonstration plate. This figure assumes that all 10,796 dealer plates will be exchanged for demonstration plates. If fewer exchanges occur, expenditures will be lower.

State Highway Fund. The bill may decrease revenue to the SHF by up to \$2.6 million beginning in FY 2020-21. Funding from the SHF is allocated by the Transportation Commission. The commission will adjust spending from the SHF to accommodate the potential decrease in CDOT expenditures under this bill.

TABOR refund. Under the March 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Local Government

Beginning in FY 2020-21, the bill decreases revenue to local governments. The bill decreases HUTF revenue, of which 26 percent is distributed to counties and 9 percent is distributed to municipalities. As such the bill decreases revenue to counties by up to \$1,059,684, and decreases revenue to municipalities by up to \$366,814 beginning in FY 2020-21.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature.

State Appropriations

In FY 2020-21, the bill requires an appropriation of \$48,832 from the License Plate Cash Fund to the Department of Revenue.

State and Local Government Contacts

Counties County Clerks Information Technology Revenue