



Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

Final Fiscal Note

Drafting Number: LLS 21-0267
Prime Sponsors: Rep. Valdez A.; Larson
 Sen. Winter; Priola

Date: August 30, 2021
Bill Status: Vetoed by Governor
Fiscal Analyst: Will Clark | 303-866-4720
 Will.Clark@state.co.us

Bill Topic: TITLE & REGISTRATION MOTOR VEHICLE REGULATION

Summary of Fiscal Impact:

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill would have required certain individuals who are late registering their vehicles to pay back taxes and fees; imposed new late fees on late registrations; and authorized the Department of Revenue to use the new revenue to reduce the costs of vehicle registration and titling services and make transfers to various cash funds. The bill would have increased revenue on an ongoing basis beginning in FY 2021-22 and increased state expenditures in FY 2021-22.

Appropriation Summary: For FY 2021-22, the bill would have required an appropriation of \$160,200 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the enrolled bill. This bill was vetoed by the Governor; therefore, the impacts identified in this analysis do not take effect.

Table 1
State Fiscal Impacts Under HB 21-1254

		Budget Year FY 2021-22	Out Year FY 2022-23
Revenue	DRIVES Cash Fund	\$21,483,095	-
	Highway Users Tax Fund ¹	\$7,122,330	\$14,475,425
	Total Revenue	\$28,605,425	\$14,475,425
Expenditures	DRIVES Cash Fund	\$160,200	-
	Total Expenditures	\$160,200	-
Transfers	DRIVES Cash Fund	(\$21,322,895)	-
	Bridge Enterprise Fund	\$7,500,000	-
	Highway Users Tax Fund	\$13,822,895	-
	Net Transfer	\$0	-
TABOR Refund		-	-

¹ 35 percent of revenue collected by the state in the HUTF is distributed to local governments.

Summary of Legislation

This bill makes several changes to fees and taxes collected when vehicles are registered late, and directs new revenue generated to reduce one or more vehicle title and registration fees. Details are provided below.

Vehicle registration for new residents. This bill requires new residents of Colorado to provide documentation of their vehicle's previous registration, including dates of registration, as well as evidence of their residency date when registering their vehicle with DOR. If a vehicle owner fails to register their vehicle within 90 days of becoming a resident, this bill allows them to be charged back taxes and fees from the date the person became a resident to the date of vehicle registration.

Temporary registration permits. Under current law, DOR may issue a temporary 60 day registration permit to individuals who purchase a vehicle from another individual to give them time to complete an emissions test. DOR may also authorize up to two temporary registration permits if an individual purchases a vehicle from a licensed Colorado dealer and work needs to be done to issue a title or perfect the lien. Fees for late registration do not currently apply to temporary registration permits.

Under the bill, if purchasers or owners of a new vehicle apply for a third temporary registration permit, the bill requires them to pay the full taxes and fees required for normal registration in order to receive it. The bill also requires temporary registration permit holders to pay late fees, as well as back taxes and fees, if they register their vehicle after expiration of their temporary permit.

Vehicle title and registration fee reduction. Additional revenue collected under this bill from back registration fees will be transferred to the DRIVES vehicle services account. DOR must use the revenue to reduce one or more fees that are charged for vehicle titling and registration. When the amount of money credited to the DRIVES account exceeds the amount appropriated to it in a fiscal year, the first \$7.5 in excess revenue will be transferred to the Statewide Bridge Enterprise special revenue fund, and any remainder will be transferred to the Highway Users Tax Fund.

State Revenue

This bill is anticipated to increase state cash revenue by \$28.6 million in FY 2021-22 and by \$14.5 million in FY 2022-23, as shown in Table 2, discussed below, and further detailed in Appendix A. This revenue, from back-due vehicle registration fees and late fees, is subject to TABOR, except that a portion of vehicles fees will be paid to the Statewide Bridge Enterprise, which is excluded from the state's TABOR limit. This fiscal note estimates that revenue collected from prorated back-due fees will increase by \$43.7 million in FY 2022-23, but that this revenue will be offset by reductions in other title and registration fees, which will result in net neutral revenue collection. DOR will continue to collect late fees on an ongoing basis.

**Table 2
Revenue Under HB 21-1254**

	FY 2021-22	FY 2022-23
Back Registration Fees (Various Cash Funds) ¹	\$21,483,095	\$43,660,694
Late Registration Fee (HUTF)	\$7,122,330	\$14,475,425
Reduced Registration and Title Fees	-	(\$43,660,694)
Total Revenue	\$28,605,425	\$14,475,425

¹ It is assumed that back-due registration fees will be collected in excess of the DRIVES appropriation in FY 2021-22 only. In future years, this revenue will be used to reduce one or more registration fees.

Back registration fees. The bill increases revenue from back registrations fees by about \$21.5 million in FY 2021-22 (half-year impact) and \$43.7 million in FY 2022-23. These back-due fees apply to both new residents in Colorado who fail to register after the 90-day grace period after becoming a resident and persons who fail to register on time after purchasing a vehicle. For new residents, the back registration fees are calculated from the date the person became a resident to the date of vehicle registration; for new vehicle purchases, the back-due fees are calculated from the expiration of a temporary registration permit. On average, Coloradans pay \$580 in registration fees and surcharges when registering a vehicle, which would result in back-due fees of about \$48 for every month that a person does not properly register their vehicle. Back registration fees under the bill will be deposited into the DRIVES vehicle services account, to be used for the reduction of one or more vehicle titling and registration fees. Detailed information on back registration fees by months late and type of registration are shown in Appendix A at the end of this fiscal note.

Enterprise fee revenue. Back registration fee revenue identified above includes the bridge safety surcharge, which is credited to the Colorado Bridge Enterprise. The enterprise portion of revenue is expected to total about 20 percent of the total identified registration fee revenue increase; this revenue is exempt from TABOR.

Late fees for temporary registration permits. Currently, vehicle owners with a temporary registration permit are exempt from paying late fees when registering their vehicle with DOR. This bill removes this exemption. The late fee is set at \$25.00 per month, up to a maximum of \$100.00. For each late fee that is assessed, \$10 is retained by counties and the rest is deposited to the HUTF. Removing this exemption is expected to increase state revenue by \$7.1 million in FY 2021-22 and \$14.5 million in FY 2022-23. Appendix A shows detailed estimates on late fee revenue expected under the bill.

Colorado Department of Transportation. Of the HUTF revenue from registration late fees, 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. Table 3 outlines the estimated HUTF revenue generated under this bill.

Table 3
Estimated HUTF Distributions Under HB 21-1254

	FY 2021-22	FY 2022-23
Revenue: State Highway Fund (65 percent)	\$13,614,396	\$9,409,026
Revenue: Counties (26 percent)	\$5,445,758	\$3,763,611
Revenue: Municipalities (9 percent)	\$1,885,070	\$1,302,788
Total Revenue	\$20,945,225	\$14,475,425

State Transfers

In FY 2021-22, this fiscal note estimates that the bill will transfer \$7.5 million to the Bridge Enterprise Fund and \$13.8 million to the HUTF. These transfers are shown in Table 4 and discussed in more detail below.

Table 4
Transfers Under HB 21-1254

	FY 2021-22	FY 2022-23
DRIVES Cash Fund	(\$21,322,895)	-
Bridge Enterprise Fund	\$7,500,000	-
Highway Users Tax Fund	\$13,822,895	-
Net Transfer	\$0	-

Any revenue received in the DRIVES account from back-due registration fees in excess of the appropriation of FY 2021-22 and future years will be transferred to other state funds. After accounting for the \$160,200 in expenditures in FY 2021-22 described in the State Expenditures section, this fiscal note estimates that \$7.5 million in excess revenue will be transferred to the Bridge Enterprise Fund, and \$13.8 million in additional excess revenue will be transferred to the HUTF. This fiscal note assumes that no transfers or minimal transfers will be made in future years because DOR will reduce other vehicle title and registration fees to offset the additional revenue received from back registration fees.

State Expenditures

Department of Revenue. In FY 2021-22, the DOR will have costs of \$160,200, based on 712 hours of work at \$225 per hour, to make changes to the DRIVES system, paid from the DRIVES Cash Fund. This will include work to establish, calculate and collect new fees; capture, scan and retain documents provided to establish residency dates; and remove temporary registration permit issuance allowances.

The bill also requires DOR to create new rules concerning late fees and calculating dates and amounts for past due tax and fees. DOR will also provide training related to the new fee changes, and update their rules, forms, manuals and websites. This work can be accomplished within existing appropriations.

School finance. The bill increases specific ownership tax collections, which will decrease the state share of school finance. The state share is paid for by General Fund, State Education Fund, and State Public School Fund. The actual state share is set annually by the General Assembly through the budget stabilization factor and will be adjusted for this impact.

TABOR refunds. The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by \$24.3 million for FY 2021-22 and \$14.5 million for FY 2022-23. TABOR refunds are paid from the General Fund. This estimate is based on the June 2021 LCS revenue forecast, which incorporates the revenue impacts of bills passed during the 2021 session. A forecast of state revenue subject to TABOR is not available beyond FY 2022-23.

Federal ARPA funds. This bill increases state revenue, which may impact the state's flexibility in spending federal American Rescue Plan Act (ARPA) funds. For more information, see the LCS memo, titled "Legislative Changes and Flexibility in Use of American Rescue Plan Funds," available online at: <https://leg.colorado.gov/node/2211881>.

Local Government

Local revenue. The bill will increase local government revenue from back specific ownership tax and vehicle registration late fees by a statewide total of \$29.4 million in FY 2021-22 (half-year impact) and \$59.7 million in FY 2022-23. It will also increase distributions of HUTF revenue from the state to local governments. Local revenue impacts are summarized in Table 5 and discussed below. Detailed information on specific ownership tax and late fees are shown in Appendix A.

- **Specific ownership tax.** Specific ownership tax is distributed to cities, counties, special districts, and school districts in proportion to property taxes levied by those entities. On average, Colorado residents pay \$725 per year per vehicle in specific ownership taxes. Thus, each month that a person fails to register their vehicle and pay the tax will result, on average, in about \$60 of back-due tax. This additional revenue will increase the local share of total program funding for school finance.
- **Late fees.** For each late fee that is charged to vehicle registrants, counties retain \$10, and the rest goes to the state and is credited to HUTF. As described in Table 3 in the State Revenue section, revenue to the HUTF will also increase distributions to cities and counties.

Table 5
Local Revenue Under HB 21-1254

	FY 2021-22	FY 2022-23
Back Specific Ownership Taxes	\$26,880,179	\$54,629,340
Late Fees	\$2,487,870	\$5,056,350
Total Revenue	\$29,368,049	\$59,685,690

Effective Date

The bill was vetoed by the Governor on July 7, 2021.

State Appropriations

For FY 2021-22, this bill would have required an appropriation of \$160,200 to the Department of Revenue from the DRIVES Vehicle Services Account.

State and Local Government Contacts

Counties

Municipalities

Treasury

County Clerks

Revenue

Information Technology

Transportation

Appendix A

This appendix provides additional detail on the fee and tax impacts of the bill. Past-due fees and tax amounts were calculated using late registration data from FY 2018-19. This year is used because delays in vehicle registrations due to the COVID-19 pandemic, which resulted in county closures and reductions in operations, have overinflated instances of late registrations in FY 2019-20. Late registration has been adjusted to account for annual growth (1.62 percent based on a ten-year average) in vehicles in the state.

**Table A1
Estimated Back Taxes and Fees on
New CO Residents Registering Vehicle Late**

	Months After 90 Days	Late Vehicle Registrations	Back Specific Ownership Tax	Back Fees	Total Revenue
FY 2021-22 (half-year)	1	3,264	\$789,192	\$630,735	\$1,419,927
	2	934	\$282,286	\$225,608	\$507,894
	3	338	\$122,586	\$97,973	\$220,559
	4	138	\$58,391	\$46,667	\$105,059
	5	70	\$33,850	\$27,054	\$60,904
	6	41	\$22,305	\$17,826	\$40,131
	7	34	\$20,552	\$16,425	\$36,977
	8	18	\$11,968	\$9,565	\$21,534
	9	13	\$9,430	\$7,536	\$16,966
	10	12	\$9,430	\$7,536	\$16,966
	11	7	\$5,924	\$4,734	\$10,658
	12	5	\$4,534	\$3,623	\$8,157
	13 to 24 ¹	12	\$15,595	\$12,464	\$28,059
		FY 2021-22 Total	\$1,386,042	\$1,107,748	\$2,493,790
FY 2022-23	1	6,634	\$1,604,013	\$1,281,954	\$2,885,967
	2	1,898	\$573,639	\$458,462	\$1,032,101
	3	687	\$249,161	\$199,134	\$448,295
	4	280	\$118,475	\$94,688	\$213,163
	5	142	\$68,667	\$54,880	\$123,548
	6	83	\$45,154	\$36,088	\$81,241
	7	69	\$41,708	\$33,334	\$75,042
	8	37	\$24,602	\$19,662	\$44,264
	9	26	\$18,859	\$15,073	\$33,932
	10	24	\$18,859	\$15,073	\$33,932
	11	14	\$11,848	\$9,469	\$21,316
	12	10	\$9,067	\$7,247	\$16,314
	13 to 24 ¹	24	\$31,190	\$24,928	\$56,118
		FY 2022-23 Total	\$2,815,243	\$2,249,990	\$5,065,233

¹ Calculated as 18.5 months after the grace period.

Table A2
Estimated Back Taxes and Fees Following Expiration of
Temporary Registration after New Vehicle Purchase (FY 2021-22)

	Months Late	Late Vehicle Registrations	Back Specific Ownership Tax	Back Fees	Total Revenue
FY 2021-22 <i>(half-year)</i>	1	166,139	\$10,042,549	\$8,026,175	\$18,068,724
	2	47,557	\$5,749,324	\$4,594,957	\$10,344,282
	3	17,209	\$3,120,680	\$2,494,100	\$5,614,780
	4	7,026	\$1,698,793	\$1,357,704	\$3,056,497
	5	3,564	\$1,077,160	\$860,884	\$1,938,044
	6	2,106	\$763,804	\$610,445	\$1,374,249
	7	1,731	\$732,432	\$585,372	\$1,317,805
	8	932	\$450,690	\$360,199	\$810,890
	9	666	\$362,317	\$289,570	\$651,887
	10	602	\$363,889	\$290,826	\$654,715
	11	375	\$249,343	\$199,279	\$448,621
	12	254	\$184,241	\$147,249	\$331,490
		13 to 24 ¹	625	\$698,915	\$558,584
		FY 2021-22 Total	\$25,494,137	\$20,375,346	\$45,869,484
FY 2022-23	1	337,661	\$20,410,482	\$16,312,403	\$36,722,885
	2	96,655	\$11,684,945	\$9,338,806	\$21,023,751
	3	34,976	\$6,342,548	\$5,069,072	\$11,411,620
	4	14,280	\$3,452,714	\$2,759,467	\$6,212,181
	5	7,243	\$2,189,076	\$1,749,547	\$3,938,623
	6	4,280	\$1,552,270	\$1,240,601	\$2,792,871
	7	3,518	\$1,488,560	\$1,189,682	\$2,678,242
	8	1,894	\$915,888	\$731,993	\$1,647,881
	9	1,354	\$736,603	\$588,706	\$1,325,309
	10	1,224	\$739,867	\$591,314	\$1,331,182
	11	762	\$506,664	\$404,934	\$911,598
	12	516	\$374,286	\$299,136	\$673,421
		13 to 24 ¹	1,270	\$1,420,194	\$1,135,043
		FY 2022-23 Total	\$51,814,097	\$41,410,704	\$93,224,801

¹ Calculated as 18.5 months after the grace period.

**Table A3
 Estimated Late Fees after
 Expiration of Temporary Registration**

	Months Late	Late Vehicles Registrations	HUTF Revenue	County Revenue	Total Revenue
FY 2021-22 (half-year)	1	166,139	\$2,492,085	\$1,661,390	\$4,153,475
	2	47,557	\$1,902,280	\$475,570	\$2,377,850
	3	17,209	\$1,118,585	\$172,090	\$1,290,675
	4 to 24	17,882	\$1,609,380	\$178,820	\$1,788,200
	FY 2021-22 Total			\$7,122,330	\$2,487,870
FY 2022-23	1	337,661	\$5,064,915	\$3,376,610	\$8,441,525
	2	96,655	\$3,866,200	\$966,550	\$4,832,750
	3	34,976	\$2,273,440	\$349,760	\$2,623,200
	4 to 24	36,343	\$3,270,870	\$363,430	\$3,634,300
	FY 2022-23 Total			\$14,475,425	\$5,056,350

¹ Late fees are calculated at \$25 per month, with the first \$10 retained by counties and the remainder to the HUTF.