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Fiscal Note

Drafting Number:	LLS 24-1136	Date:	April 12, 2024
Prime Sponsors:	Sen. Michaelson Jenet	Bill Status:	Senate Business, Labor, & Tech.
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Bill Topic: **MOTOR VEHICLE LEMON LAW**

Summary of Fiscal Impact:	<input type="checkbox"/> State Revenue	<input type="checkbox"/> State Transfer	<input type="checkbox"/> Local Government
	<input checked="" type="checkbox"/> State Expenditure	<input type="checkbox"/> TABOR Refund	<input type="checkbox"/> Statutory Public Entity

The bill expands the state’s motor vehicle Lemon Law, including creating a “lemon law buyback and repair” title brand. It increases state expenditures in FY 2024-25 and FY 2025-26 only.

Appropriation Summary: For FY 2024-25, the bill requires an appropriation of \$19,605 to the Department of Revenue.

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

**Table 1
State Fiscal Impacts Under SB 24-192**

		Budget Year FY 2024-25	Out Year FY 2025-26
Revenue		-	-
Expenditures	Cash Funds	\$19,605	\$20,025
Transfers		-	-
Other Budget Impacts		-	-

Summary of Legislation

Under current law, known as the “Lemon Law,” a vehicle manufacturer, manufacturer’s agent, or a manufacturer’s authorized dealer must replace or buy back a motor vehicle if the purchaser notified the dealer within the earlier of either the warranty period or one year after the original delivery of the vehicle and the vehicle underwent a reasonable number of repair attempts. Reasonable repair attempts mean the vehicle was out of service for repairs for a cumulative total of 30 or more business days or the dealer tried unsuccessfully to repair the vehicle four or more times.

The bill expands the Lemon Law to:

- cover vehicles affected by safety-based nonconformities;
- lengthen the notification time to include the earlier of either the first 36,000 miles or three years after original delivery of the vehicle;
- lengthen the statute of limitations to 42 months after the delivery of the vehicle;
- lower the number of out-of-service business days from 30 to 21;
- lower the number of required repair attempts from four to three;
- clarify that the Lemon Law is not an affirmative defense against a consumer’s claim after it has been raised but before the threshold for cure has been met;
- add a 10-day limit on the opportunity for a manufacture to cure the defect;
- set a formula for determining the reasonable allowance for use deduction when a dealer buys back the vehicle;
- clarify that vehicles exempt from the Lemon Law due to problems that do not affect the market value of the vehicle must not be problems affecting safety;
- require a dealer to allow an agent of the purchaser to inspect the vehicle unless the dealer proves a 7-day free-look period in which the purchaser may return the vehicle and receive a full refund; and
- require dealers to give certain notices that a vehicle was returned, including notifying the Department of Revenue (DOR). DOR must put a “lemon law buyback and repair” brand on the vehicle’s title to notify subsequent purchasers of the return.

Background

DRIVES programming. The Division of Motor Vehicles (DMV) in the DOR uses its Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) information technology system for all driver license and motor vehicle transactions. The DRIVES system requires an extensive 18-month upgrade which is scheduled to take place from July 1, 2024, through March 31, 2026. As a result, the DOR has requested that any new legislation requiring DRIVES programming have an effective date of April 1, 2026, with roll-forward spending authority through FY 2026-27, noting that each programming requirement during the system upgrade period may increase the overall project timeline. Based on the current effective date in the bill, the fiscal note includes costs for the DRIVES programming to take place twice—in the existing and new system.

State Expenditures

Expenditures in DOR will increase by about \$20,000 in both FY 2024-25 and FY 2025-26, as shown in Table 2.

Table 2
Expenditures Under SB 24-192

	FY 2024-25	FY 2025-26
Department of Revenue		
Computer Programming	\$19,605	\$20,025
Total Cost	\$19,605	\$20,025

Department of Revenue. The DOR will have costs to add the new title brand into the DRIVES system. Computer programming costs in FY 2024-25 and FY 2025-26 include DRIVES programming, estimated at 60 hours at a rate of \$245 per hour in FY 2024-25 and 60 hours at a rate of \$252 per hour in FY 2025-26; ISD development and testing costs, estimated at 44 hours at a rate of \$35 per hour in each year; support from the Office of Information Technology estimated at 23 hours at a rate of \$99 per hour in each year, paid to OIT through real-time billing; and business user acceptance testing at 34 hours at a rate of \$32 per hour in each year.

Technical Note

The fiscal note currently includes a duplicative programming cost for the DOR's DRIVES system, as discussed in the Background section. The duplicate cost would be removed if the bill's effective date were amended to April 1, 2026, when the DRIVES upgrade is complete.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed.

State Appropriations

For FY 2024-25, the bill requires an appropriation of \$19,605 from the DRIVES Cash Fund to the Department of Revenue.

State and Local Government Contacts

Information Technology

Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).