



Legislative  
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# FISCAL NOTE

**Drafting Number:** LLS 20-0344  
**Prime Sponsors:**

**Date:** October 24, 2019  
**Bill Status:** Bill Draft  
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**Bill Topic:** SPECIAL MOBILE MACHINERY REGISTRATION EXEMPTION

**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 exempts certain owners of special mobile machinery from registration. The bill reduces state General Fund and cash fund revenue and increases state cash fund expenditures beginning in FY 2021-2022.

**Appropriation Summary:** No appropriation is required.

**Fiscal Note Status:** This fiscal note reflects the bill draft as requested by the Transportation Legislation Review Committee.

**Table 1**  
**State Fiscal Impacts Under Bill 2**

		FY 2020-21	FY 2021-22	FY 2022-23
<b>Revenue</b>	General Fund	-	(\$110,592)	(\$110,592)
	Cash Funds	-	(\$906,992)	(\$906,992)
	<b>Total</b>	-	(\$1,017,584)	(\$1,017,584)
<b>Expenditures</b>	General Fund	-	-	-
	Cash Funds	-	\$126,512	\$106,352
	Centrally Appropriated	-	\$38,650	\$36,734
	<b>Total</b>	-	\$165,162	\$143,087
	<b>Total FTE</b>	-	1.8 FTE	1.8 FTE
<b>Transfers</b>		-	-	-
<b>TABOR Refund</b>	General Fund	-	(\$1,017,584)	not estimated

## Summary of Legislation

Under current law, owners of special mobile machinery are required to register the machinery and pay the associated specific ownership taxes (SOT), fees, and surcharges. This bill exempts owners of special mobile machinery from registration if the owner qualifies and applies for a registration exempt certificate from the Department of Revenue (DOR). In order to qualify for the registration exempt certificate, an owner of special mobile machinery must:

- have 1,000 or more items of special mobile machinery in Colorado;
- clearly mark every piece of special mobile machinery with the identity of the owner;
- ensure that the machinery bears an visible and readily identifiable identification number; and
- visibly include the owner's toll-free telephone number on the each piece of machinery.

Owners that qualify for the registration exempt certificate must pay SOT directly to the DOR, and are exempt from all registration fees and surcharges, except the road safety surcharge, bridge safety surcharge, and \$0.40 fee to be deposited in the Highway Users Tax Fund (HUTF). The DOR may promulgate rules to implement and administer the program.

## Background

The SOT is imposed on every motor vehicle, trailer, semitrailer, or vehicle that is operated on any state highway. This tax is levied on vehicles in lieu of a property tax and is paid each year a vehicle is registered. The tax was enacted in 1937 and is found in Article X, Section 6 of the Colorado Constitution. Most of the revenue from the SOT is collected and distributed by counties to taxing jurisdictions within a county (cities, school districts, special districts, and the county) based on the percentage of total property taxes collected for each political subdivision in the county.

Special mobile machinery and self-propelled construction equipment are classified as Class F personal property for purposes of the SOT. The SOT for Class F personal property is calculated based on a percentage of the vehicle's taxable value. Once the taxable value is established, it remains the same for the life of the vehicle. The tax rate applied to Class F personal property is based on years of vehicle service. Table 2 highlights the tax rates for special mobile machinery.

**Table 2**  
**SOT Rates for Class F Personal Property**

<b>Vehicle Model Year</b>	<b>Class F</b>
1st Year	2.10 percent
2nd Year	1.50 percent
3rd Year	1.25 percent
4th Year	1.00 percent
5th Year - 8th Year	0.75 percent
9th Year and thereafter	0.50 percent or not less than \$5.00

However, if the owner of special mobile machinery regularly rents or leases the equipment, a different method can be used to calculate the SOT. In this case, the owner can collect from the user an amount equal to 2 percent of the rental or lease payment, which is remitted to the county where the equipment is used. Participants in this program also pay a \$5.00 fee, \$3.00 is remitted to the General Fund and \$2.00 is retained by the county that registers the machinery.

Currently, 11 companies may qualify for a registration exemption certificate. These 11 companies own 36,964 pieces of special mobile machinery. In FY 2018-19, these 11 owners of special mobile machinery were assessed \$921,738 in annual registration fees, which is deposited in the Highway Users Tax Fund (HUTF).

**Assumptions**

This fiscal note assumes that no credit or refund of registration will be issued to any owner of special mobile machinery that qualifies for a registration exemption certificate. In addition, under the bill, owners will still pay the bridge safety surcharge and the road safety surcharge, so it is assumed revenue from these fees will remain unchanged. Finally, the fiscal note assumes the same number of companies and pieces of special mobile machinery through FY 2022-23.

**State Revenue**

Beginning in FY 2021-22, the bill decreases state revenue by \$1.0 million, with decreases of \$906,992 to the HUTF and of \$110,592 to the General Fund. The bill may also decrease various fine revenues. This revenue decrease is discussed below.

**Highway Users Tax Fund.** Beginning in FY 2021-22, revenue to the HUTF will decrease by \$906,992. Of the HUTF revenue decreasing under this bill, 65 percent is credited to the State Highway Fund (SHF) for expenditure by CDOT, 26 percent is credited to counties, and 9 percent is credited to municipalities. Table 3 outlines the estimated HUTF revenue decreases under this bill.

**Table 3  
 Estimated HUTF Reductions Under Bill 2**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
State Highway Fund (65 percent)	-	(\$589,545)	(\$589,545)
Counties (26 percent)	-	(\$235,818)	(\$235,818)
Municipalities (9 percent)	-	(\$81,629)	(\$81,629)
<b>Total Reduction</b>	-	<b>(\$906,992)</b>	<b>(\$906,992)</b>

The bill exempts owners that qualify for the registration exempt certificate from most registration fees and surcharges, which results in a \$921,738 decrease to the HUTF. However, the bill requires owners that qualify for the registration exempt certificate to pay a fee of \$0.40 to the HUTF. It is estimated that the new fee will collect \$14,746 in HUTF revenue. Overall this results in a \$906,992 decrease in revenue to the HUTF beginning in FY 2021-22.

**General Fund.** Beginning in FY 2021-22, the bill is expected to decrease General Fund revenue by \$110,592. Under the 2 percent special mobile machinery program, an owner can collect from the user an amount equal to 2 percent of the rental or lease payment, which is remitted to the county where the equipment is used. Participants in this program also pay a \$5.00 registration fee, of which \$3.00 is remitted to the General Fund. The bill exempts owners that qualify for the registration exempt certificate from registration fees, including the fee for this program.

**Fines.** To the extent that special mobile machinery is exempt from fines for registration violations, fine revenue will decrease to the HUTF, of which 65 percent goes to the State Highway Fund. The bill may also minimally decrease revenue to the Fines Collection Cash Fund and other funds in the Judicial Department from court fees and surcharges. This decrease is expected to be minimal.

**License plates.** The bill will decrease revenue Colorado Correctional Industries (CCi) in the Department of Corrections. CCi is the state's license plate manufacturer and will receive less orders for license plates for special mobile machinery license plates from the DOR.

**State Expenditures**

Beginning in FY 2021-22, the bill increases state cash fund expenditures from the DRIVES Account by \$165,162 for the Department of Revenue. These expenditures are shown in Table 4 and discussed below.

**Table 4  
 Expenditures Under Bill 2**

	FY 2020-21	FY 2021-22	FY 2022-23
<b>Department of Revenue</b>			
Personal Services	-	\$104,642	\$104,642
Operating Expenses	-	\$1,710	\$1,710
Capital Outlay Costs	-	\$11,160	-
Computer Programming	-	\$9,000	-
Centrally Appropriated Costs*	-	\$38,650	\$36,734
<b>Total Cost</b>	-	<b>\$165,162</b>	<b>\$143,087</b>
<b>Total FTE</b>	-	<b>1.8 FTE</b>	<b>1.8 FTE</b>

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

**Department of Revenue.** Beginning in FY 2021-22, the bill increases state cash fund expenditures for DOR by \$165,162 and 1.8 FTE in FY 2021-22 and \$143,087 and 1.8 FTE in FY 2022-23. These expenditures are discussed below.

- *Personal services.* DOR will require 1.8 FTE Program Assistant to process registration exemption certificates applications; handle monthly SOT, fee, and surcharge remittance; provide account maintenance; and manage other vehicle services support services.
- *Computer programming.* In FY 2021-22, one-time programming costs of \$9,000 are required to update the Driver License, Record, Identification and Vehicle Enterprise Solutions (DRIVES) system. Programming costs are calculated at 40 hours at a rate of \$225 per hour.

**Department of Corrections.** The bill will decrease workload for CCI in the Department of Corrections. CCI is the state's license plate manufacturer and will receive less orders for license plates for special mobile machinery license plates from the DOR.

**TABOR refund.** The bill is expected to decrease state General Fund obligations for TABOR refunds by \$1.0 million in FY 2021-22. Under current law and the September 2019 Legislative Council Staff forecast, the measure will correspondingly decrease the amount refunded to taxpayers, which will first be issued via reimbursements to local governments, followed by sales tax refunds made available on income tax returns for tax years 2022, depending on the total amount to be refunded. TABOR refunds for FY 2022-23 are not estimated.

**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 \$38,650 in FY 2021-22 and \$36,734 in FY 2022-23.

## **Local Government**

Beginning in FY 2020-21, local government revenue will decrease by \$637,138. Owners of special mobile machinery with a registration exempt certificate would no longer be required to pay the base registration fees and \$4.00 clerk hire registration fee to counties, resulting in a decrease of \$302,460 in county registration fee revenue. Also, as stated above, participants the 2 percent program also pay a \$5.00 registration fee, of which \$2.00 is retained by the county that registers the machinery. The bill exempts owners that qualify for the registration exempt certificate from registration fees, including the fee for this program, resulting in a decrease of \$17,231 annually.

In addition, this bill will decrease local government HUTF revenue by an estimated \$317,447 in FY 2021-22 and thereafter, as shown in Table 3. HUTF revenue is distributed to counties (26 percent) and municipalities (9 percent) for transportation needs.

## **Effective Date**

The bill takes effect July 1, 2021.

## **State and Local Government Contacts**

Counties Revenue	County Clerks Transportation	Information Technology
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