

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 10-0488
Prime Sponsor(s): Rep. Bradford

Date: February 24, 2010
Bill Status: House Transportation and Energy
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TITLE: CONCERNING THE REGISTRATION OF MOBILE MACHINERY IN ORDER TO PAY SPECIFIC OWNERSHIP TAX.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue		
Cash Funds		
Highway Users Tax Fund	\$ 111,682	\$ 223,365
License Plate Cash Fund	475	950
Multiple Cash Funds (License Fees)*	(78,593)	(157,185)
Fines Collection Cash Fund	< 5,000	< 5,000
State Expenditures		
General Fund – School Finance	\$ 0	\$ 118,915
Cash Funds		
Highway Users Tax Fund – CSTAR Account**	7,846	0
License Plate Cash Fund	1,120	1,120
FTE Position Change		
Effective Date: July 1, 2010.		
Appropriation Summary for FY 2010-2011: See State Appropriations section.		
Local Government Impact: See Local Government Section.		

* A portion of this revenue is credited to the Highway Users Tax Fund.

** No separate appropriation of these funds is required because of ongoing appropriations to the Department of Revenue for computer programming provided in the Long Bill for new legislation.

Summary of Legislation

HB10-1172 changes the registration of mobile machinery such that:

- P mobile machinery is officially renamed to special mobile machinery and the definition is rephrased for clarity;
- P special mobile machinery is machinery weighing at least 1,000 pounds, rather than the current weight threshold of 500 pounds;
- P farm machinery is included as equipment that must be registered as Class F personal property if it is used for purposes under the definition of special mobile machinery, currently farm machinery is not registered;

- P special mobile machinery that is rented or leased must be registered on an annual basis;
- P special mobile machinery identifying decals for rental vehicles must be issued and expire concurrently with the vehicle's registration; and
- P special mobile machinery must be registered to operate legally.

The bill also establishes demonstration plates and corresponding fees for special mobile machinery dealers or wholesalers. The plates are for special mobile machinery that is for sale and is used for demonstration purposes. The plate may be transferred from one piece of equipment to another without reporting the transfer to the department. Violating the requirements of a special license plate is a class 2 misdemeanor.

Finally, the bill authorizes the use of individual temporary registration plates, tags, or certificates that are good for up to 60 days. Temporary registration fees are set at \$2.00, of which \$1.60 is retained by the county clerks office or the Department of Revenue. The remaining \$0.40 is credited to the Highway Users Tax Fund (HUTF).

State Revenue

Under HB10-1172, total state revenue is estimated to increase by **\$33,564 in FY 2010-11 and \$67,130 in FY 2011-12**. Although *total* state revenue is expected to increase, individual program revenue will increase or decrease. Revenue is prorated in FY 2010-11 as the Department of Revenue requires 6 months to implement the changes in the bill. Table 1 and the discussion that follows detail the revenue changes.

Table 1. Revenue Under HB10-1172			
Revenue Sources	Cash Fund	FY 2010-11	FY 2011-12
Dealer Demonstration License Plate Fees	HUTF	\$113,004	\$226,008
License Plate Charge	LPCF	475	950
License Fees for Special Mobile Machinery	Multiple	(78,593)	(157,185)
CSTARS Set-Aside	HUTF	(1,322)	(2,643)
TOTAL		\$33,564	\$67,130

Dealer Demonstration Plate Fees. Issuance of demonstration license plates is anticipated to generate \$226,008 in annual revenue based on 516 plates issued at \$438 per plate. Dealer demonstration plate fee revenue is credited to the HUTF.

License Plate Charge for Dealer Demonstration Plates. A charge of \$2.17 is applied to each of the 516 license plates. Plate revenue is credited to the License Plate Cash Fund (LPCF) to pay for plate manufacturing.

License Fees for Special Mobile Machinery. Changing the registration threshold for special mobile machinery from 500 to 1,000 pounds will reduce the number of vehicles for which license fees are collected. Based on 2009 data, the *decrease* in revenue for license fees is \$157,185 for 5,286 vehicles. License fees are collected for the HUTF, and for other purposes (e.g., emergency medical services, peace officers standards and training (P.O.S.T.), and the motorist insurance identification database).

CSTARS Set-Aside. The department receives a \$0.50 set-aside for the Colorado State Titling and Registration System (CSTARS) for each registration. Revenue to the CSTAR Account of the HUTF *decreases* by \$1,322.

Farm Equipment Registration. Under the bill, farm equipment will be registered if it qualifies as special mobile machinery. Although this is expected to increase revenue, the amount has not been quantified at this time.

Temporary Registration of Special Mobile Machinery. An increase in revenue for the issuance of temporary registrations of special mobile machinery is expected, but it has not been quantified at this time. Under the bill, \$0.40 is credited to the HUTF for each temporary registration. Standard registration fees will also apply to each temporary registration.

Fine revenue. The bill may increase state revenue from fines, although less than \$5,000 in new state revenue is expected per year. According to Section 18-1.3-501, C.R.S., the penalty for a class 2 misdemeanor is 3 to 12 months imprisonment in a county jail, a fine of \$250 to \$1,000, or both. Fine revenue that is not otherwise appropriated is deposited into the Fines Collection Cash Fund. Because the courts have the discretion of incarceration, imposing a fine, or both, the impact to state revenue cannot be determined.

State Expenditures

Costs to implement this bill are **\$8,966 in FY 2010-11 and \$120,035 in FY 2011-12**. Costs are in the Department of Revenue for making changes to the registration of special mobile machinery and in public school finance due to changes in specific ownership tax collection.

Department of Revenue. Costs in the department are for the following:

- P **Computer Programming (\$7,846 in FY 2010-11 only).** Colorado State Registration and Titling System (CSTARS) computer programming is required to incorporate modifications to registration permits and to add the demonstration license plate. Changes require 200 hours of programming at 39.23 per hour.
- P **Demonstration License Plate Stock (\$1,120 annually).** The department requires 516 plates to distribute to counties for special mobile machinery dealers. Plates cost \$2.17 each.

No appropriation is necessary for the computer programming costs (\$8,966) because of ongoing appropriations to the department provided in the Long Bill for new legislation.

School Finance Act. The bill is expected to reduce specific ownership taxes by at least \$820,100 each year, starting in FY 2010-11. Under the School Finance Act, specific ownership taxes provide a source of local funding that offsets the need for state aid and the state is required to backfill any reduction in such funding. Of the \$820,100, approximately 29 percent is distributed to school district funding under the act. Thus, the backfill amount is at least \$237,829 annually, half of which is expected in FY 2011-12 due to the implementation schedule (\$118,915).

Local Government Impact

Specific Ownership Taxes. As was true with registration fees, changing the registration threshold for special mobile machinery from 500 to 1,000 pounds will reduce the number of vehicles that are registered. A **reduction** to specific ownership taxes of approximately \$820,100 is expected. These taxes are distributed to local governments in proportion to property taxes collected by each entity within the county.

Highway Users Tax Fund. The addition of the specific mobile machinery dealer demonstration plate will result in more revenue to the HUTF and, subsequently, more revenue distributed to counties and municipalities. To some degree, this amount will be offset by the reduction in HUTF revenue associated with changes to the mobile machinery weight threshold.

Temporary Registration of Special Mobile Machinery. As noted above, revenue will increase for the issuance of temporary registrations of special mobile machinery. Although the number of registrations has not been quantified, \$1.40 per registration is retained by the county clerk.

Misdemeanor Penalty. The penalty for a class 2 misdemeanor is 3 to 12 months imprisonment in a county jail, a fine of \$250 to \$1,000, or both. Because the courts have the discretion of incarceration or imposing a fine, the impact at the local level cannot be determined. The cost to house an offender in county jails varies from \$45 to \$50 per day in smaller rural jails to \$62 to \$65 per day for larger Denver-metro area jails. For the current fiscal year, the state reimburses county jails a daily rate of \$50.44 to house state inmates. It is assumed that the impact of this new misdemeanor will be minimal and will not create the need for additional county jail space.

State Appropriations

The Department of Revenue requires an appropriation of \$1,120 from the License Plate Cash Fund for FY 2010-11.

Departments Contacted

Revenue Judicial Public Safety