

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 14-0036 **Date:** January 29, 2014
Prime Sponsor(s): Sen. Baumgardner **Bill Status:** Senate Transportation
 Rep. Sonnenberg **Fiscal Analyst:** Kristen Koehler (303-866-4918)

SHORT TITLE: DEPLOYED MILITARY MOTOR VEHICLE FEE & TAXES

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
State Revenue	(\$244,409)	(\$488,817)
Cash Funds	(244,409)	(488,817)
State Expenditures	\$172,951	\$137,842
General Fund	68,921	137,842
Cash Funds	104,030	0
FTE Position Change		
Appropriation Required: \$68,921 - School Finance and \$104,030 - Dept of Revenue (FY 2014-15)		

* This summary shows changes from current law under the bill for each fiscal year. Parentheses indicate a decrease in funds.

Summary of Legislation

This bill exempts members of the United States armed forces who are Colorado residents and deployed outside of the U.S. for a full year from paying certain motor vehicle registration fees. The bill applies to Class B and C vehicles and authorizes the member to pay specific ownership tax (SOT) of \$1. If the owner is deployed for less than one year, the fees and taxes are prorated. If the owner previously paid SOT at the higher rate while deployed, but qualified for the reduced SOT rate, the DOR must credit the owner's account. Owners must sign an affidavit stating that the vehicle will not be operated on a highway during their time of deployment and provide the DOR with evidence of deployment.

Background

Under current law, owners of motor vehicles pay SOT and several registration fees, some of which are based on the age, weight, and location of the vehicle. Persons eligible under the bill for the reduced fees and taxes are not exempted from paying special license plate fees and surcharges authorized in law. This bill applies to Class B and C motor vehicles, which include passenger vehicles, motor homes, motorcycles, and personal trucks under 16,000 pounds.

State Revenue

Overall, this bill is expected to decrease the taxes and fees paid on motor vehicles by \$490,556 in FY 2014-15 and by \$981,111 in FY 2015-16. This includes both state revenue from registration fees as well as local revenue from registration fees and SOT. For purposes of this

fiscal note, all registration fee revenue is counted as state revenue, although a portion is eventually distributed to local governments. SOT is exclusively a local revenue source. The impact of the bill on individuals is shown in Table 1.

Assumptions. Based on the deployment rate for service members stationed in Colorado, the fiscal note assumes that approximately 6,322 persons will be eligible for the reduced fees and tax rate proposed by the bill. It is also assumed that the reduced fees and tax rate will be applied to only one vehicle per eligible person.

Table 1. Impact of SB 14-075 on State and Local Revenue						
Type of Fee	Current Fee*	Proposed Fee	Fee Change	Number Affected	Total Fee Impact FY 2014-15 (half year impact)	Total Fee Impact FY 2015-16
Registration Fees Impacted by Bill	\$77.32	\$0	(\$77.32)	6,322	(\$244,409)	(\$488,817)
Specific Ownership Tax	\$78.87	\$1	(\$77.87)	6,322	(\$246,147)	(\$492,294)
TOTAL					(490,556)	(\$981,111)

* Registration fees and SOT are based on the current average annual amount paid by each vehicle owner.

Colorado Department of Transportation. The Colorado Department of Transportation (CDOT) receives a portion of revenues collected through registration fees and credited to the Highway Users Tax Fund (HUTF). Generally, the amount due CDOT ranges from 60 to 65 percent. This bill reduces overall HUTF collections by \$177,870 in FY 2014-15 and by \$355,740 per year beginning in FY 2015-16. Of that amount, CDOT's portion of HUTF revenue under the bill will be reduced by up to \$116,000 in FY 2014-15, and by up to \$231,231 per year thereafter.

State Expenditures

For FY 2014-15, the bill is expected to increase General Fund expenditures by \$68,921 and cash fund expenditures by \$104,030. Beginning in FY 2015-16, the bill is expected to increase annual General Fund expenditures by \$137,842.

School finance. SOT counts as part of the local share of school finance and any reduction in this source of funding must be backfilled by an increase in state aid. Approximately 28 percent of SOT revenue is attributable to school finance, so the reduction in SOT caused by this bill will require an increase in state aid of \$68,921 in FY 2014-15 and \$137,842 each year thereafter.

Department of Revenue. For FY 2014-15, the DOR will be required to purchase one-time information technology (IT) programming services at a cost of \$104,030 (1010 hours at \$103 per hour). Programming services are required to update the GenTax system and the Colorado State Titling and Registration System (CSTARS). IT work will be performed by the Governor's Office of Information Technology.

The DOR will be required to update rules, forms, manuals, and the department's website to reflect the change in law. Additionally, the department will provide training to its authorized agents, Title and Registration Sections staff, and other entities.

Local Government Impact

Overall, this bill is expected to reduce revenue for local governments from SOT by \$246,147 in FY 2014-15 and by \$492,294 each year thereafter. In addition, the local government share of HUTF revenues collected through registration fees will be reduced by up to \$71,148 in FY 2014-15 and by up to \$142,296 each year thereafter.

Specific Ownership Tax. Under current law, SOT averages \$78.87 per vehicle owner, per year. The bill allows eligible persons to pay a flat SOT of \$1 per year, reducing overall SOT revenue to local governments. SOT is distributed to counties, municipalities, special districts, and school districts.

Highway Users Tax Fund. Local governments also receive a portion of the revenue collected through registration fees and SOT that is credited to the HUTF. In general, local governments receive between 35 and 40 percent of HUTF revenue for transportation needs. This bill reduces the local government share of revenue credited to the HUTF.

School District Impact. This bill reduces specific ownership taxes to school districts, although a portion of that reduction will be offset by an increase in state aid. Pursuant to Section 22-32-143, C.R.S., as specified by House Bill 11-1277, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: <http://www.colorado.gov/lcs>.

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed, and applies to vehicles registered on or after January 1, 2015.

State Appropriations

For FY 2014-15, the Department of Revenue requires a cash fund appropriation of \$104,030 from the CSTARTS account of the HUTF. A General Fund appropriation of \$68,921 will be required for school finance. Additionally, the Governor's Office of Information Technology requires spending authority for \$104,030 in reappropriated funds.

State and Local Government Contacts

Cities and Counties
Revenue

Clerk and Recorders
Transportation

Local Affairs
Military Affairs