

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number:	LLS 14-0102	Date:	January 22, 2014
Prime Sponsor(s):	Sen. Steadman	Bill Status:	Senate Business, Labor, and
	Rep. Coram		Technology
	-	Fiscal Analyst:	Kristen Koehler (303-866-4918)

SHORT TITLE: VEHICLES SUBJECT TO DAILY RENTAL FEE

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016			
State Revenue Cash Funds	<u>(at least \$2,064)</u> (at least \$2,064)	<u>(at least \$2,064)</u> (at least \$2,064)			
State Expenditures		Minimal workload impact. See State Expenditures section.			
FTE Position Change					
Appropriation Required: None.					

* 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 clarifies the type of vehicle that is subject to the \$2 daily vehicle rental fee (fee). Current law imposes the fee on the rental of any vehicle that is registered as a rental vehicle and owned by a person whose primary business is the short-term rental of said vehicles to other people. The bill amends current law to apply the daily vehicle rental fee to all short-term vehicle rentals in the state, for vehicles with a gross vehicle weight rating of 26,000 pounds or less, regardless of the primary business of the vehicle owner. Renewals are not subject to the \$2 fee. The bill defines short-term vehicle rental as consisting of 30 days or less.

Background

Revenue generated by the fee is collected by the Department of Revenue (DOR) and credited entirely to the Highway Users Tax Fund (HUTF). In FY 2012-13, the DOR collected \$27,091,988 from the fee. As of November 30, 2013, the number of vehicles in the state that are registered as rental vehicles totals 37,262.

State Revenue

This bill is expected to decrease state cash fund revenue by at least \$2,064 beginning in FY 2014-15. Under the bill, vehicles weighing more than 26,000 pounds will no longer pay the daily rental fee. There are currently three rental vehicles registered in the state weighing more than 26,000 pounds. Each rental vehicle generates annual average fee revenue of \$727. In lieu of paying the daily vehicle rental fee on these vehicles, current law requires a surcharge of \$39 per vehicle to be collected at the time the vehicle is registered with the DOR.

Page 2 January 22, 2014

Department of Revenue. Other revenue impacts of this bill are indeterminate. The bill caps the number of days that the fee may be collected at 30 days, and exempts renewals from the fee. Current law allows the fee to be collected on rentals with a length of up to 45 days and imposes the fee on renewals. The number of vehicle rentals lasting over 30 days is unknown, and subsequently, the number of renewals are unknown. National averages indicate that rental vehicles have a rental length of 10 days per rental. To the extent that a vehicle rental lasts longer than 30 days or is renewed, or both, this bill will result in decreased fee revenue to the DOR.

The bill requires that all entities that rent out vehicles pay the fee; whereas, current law requires that only those who are in the business of renting out vehicles pay the fee. It is believed that most, but possibly not all, companies whose primary business is something other than the rental of vehicles are already collecting and remitting the fee to the DOR. To the extent that the number of businesses collecting the fees increases, it will result in a revenue increase to the DOR.

Colorado Department of Transportation. The Colorado Department of Transportation (CDOT) receives a portion (60 percent) of the revenue generated from the fee via the HUTF. Beginning in FY 2014-15, the CDOT will experience a decrease in HUTF revenue of at least \$1,224 (.60*\$2,064). Subsequent increases or decreases in revenue to the HUTF as a result of the bill will impact the CDOT, and are indeterminate at this time.

State Expenditures

The bill will require the DOR to update forms, manuals, rules, and the website to reflect the change in law. Training will also be provided by the department to authorized agents, Titles and Registration Section staff, and other entities impacted by the legislation. The department does not capture or retain the number of times a vehicle is rented or has had its rental renewed. Owners of rental vehicles invoice and provide the fee directly to the DOR, Division of Taxation. Any increase in activities or workload associated with this bill is expected to be minimal and can be absorbed within existing appropriation.

Local Government Impact

Beginning in FY 2014-15, local government revenues from the HUTF will be reduced by at least \$722. HUTF revenue generated by the fee is distributed to counties (22 percent) and cities (18 percent) for transportation needs. To the extent that fee revenue to the HUTF is increased or decreased as a result of the bill, it will have a fiscal impact on local governments.

Effective Date

The bill takes effect July 1, 2014.

State and Local Government Contacts

Revenue

Local Affairs

Cities & Counties

Transportation