

**STATE and LOCAL  
FISCAL IMPACT**

**Drafting Number:** LLS 14-0650  
**Prime Sponsor(s):** Sen. Hill

**Date:** January 27, 2014  
**Bill Status:** Senate SVMA  
**Fiscal Analyst:** Kristen Koehler (303-866-4918)

**SHORT TITLE:** SENIORS MOTOR VEHICLE REGISTRATION TAX & FEES

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016
<b>State Revenue</b>	<b>(\$6,084,732)</b>	<b>(\$12,169,464)</b>
Cash Funds	(\$6,084,732)	(12,169,464)
<b>State Expenditures</b>	<b>\$2,874,268</b>	<b>\$5,541,506</b>
General Fund - School Finance	\$2,770,753	\$5,541,506
Cash Funds	103,515	0
<b>FTE Position Change</b>		
<b>Appropriation Required:</b> \$2,770,753 - School Finance and \$103,515 - 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 allows certain Colorado residents to pay a flat \$50 charge instead of their regular motor vehicle fees and taxes. To be eligible, a person must be at least 65 years old and have lived in Colorado for at least 5 years. The \$50 charge includes \$34.10 in registration fees and \$15.90 in specific ownership taxes (SOT). The bill specifies how these funds will be distributed among the state and local governments. The bill applies to Class C vehicles, such as passenger vehicles, motor homes, and motorcycles.

**State Revenue**

Overall, this bill is expected to decrease the taxes and fees paid on motor vehicles by \$15,980,279 in FY 2014-15 and by \$31,960,557 per year thereafter beginning in FY 2015-16. This includes both state revenue from registration fees as well as local revenue from registration fees and specific ownership taxes. 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.** This fiscal note assumes that approximately 314,294 persons will be eligible to pay the flat SOT and registration fee proposed by the bill. It is also assumed that the flat SOT and registration fee will be applied to only one vehicle per eligible person. Due to the effective date of the bill, first year impacts are one-half the totals shown in FY 2015-16.

Table 1. Fee Impact of SB 14-044						
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	\$72.72	\$34.10	(\$38.72)	314,294	(\$6,084,732)	(\$12,169,464)
Specific Ownership Tax	\$78.87	\$15.90	(\$62.97)	314,294	(\$9,895,547)	(\$19,791,093)
<b>TOTAL</b>					<b>(\$15,980,279)</b>	<b>(\$31,960,557)</b>

\* Current registration fees and SOT are estimated based on the average annual amount paid for all Class C vehicles.

**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 an estimated \$3,177,073 in FY 2014-15 and \$6,354,145 per year beginning in FY 2015-16. Of that amount, CDOT's portion of HUTF revenue will be reduced by up to \$2.1 million in FY 2014-15, and by up to \$4.1 million per year thereafter.

### State Expenditures

For FY 2014-15, the bill is expected to increase General Fund expenditures by \$2,770,753 and cash fund expenditures by \$103,515. Beginning in FY 2015-16, the bill is expected to increase annual General Fund expenditures by \$5.5 million.

**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 \$2,770,753 in FY 2014-15 and \$5,541,506 each year thereafter.

**Department of Revenue.** For FY 2014-15, the Department of Revenue (DOR) will be required to purchase one-time computer programming services at a cost of \$103,515. Programming services are required to update the GenTax system, the Colorado State Titling and Registration System (CSTARS), the Non-Standard Plates program, and the Starfish program within the DOR. These systems must be updated to capture year of birth and age data and the number of consecutive years a person has lived in the state, and to assess the new registration fee and SOT rates.

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 from SOT by \$9,895,547 in FY 2014-15 and by \$19,791,093 each year thereafter. In addition, the local government share of HUTF revenues collected through registration fees will be reduced by up to \$1.25 million in FY 2014-15 and by up

to \$2.5 million each year thereafter. Finally, registration fee revenue retained by counties will increase by about \$314,294 in FY 2014-15 and by \$628,588 each year thereafter. These impacts are described in greater detail below.

**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 \$15.90 per year, reducing overall SOT revenue to local governments by an estimated \$9,895,547 in FY 2014-15 and \$19,791,093 per year thereafter. SOT is distributed to counties, municipalities, special districts, and school districts.

**Highway Users Tax Fund.** Local governments receive a portion of revenues collected through registration fees and 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 by up to \$1.25 million in FY 2014-15 and by up to \$2.5 million each year thereafter.

**Registration fees.** The bill allows counties to retain \$2 of the flat \$34.10 registration fee for each registration, or \$314,294 in FY 2014-15 and \$628,588 each year thereafter.

**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., 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 \$103,515 from the CSTAR account of the HUTF. A General Fund appropriation of \$2,770,753 will be required for school finance. Additionally, the Governor's Office of Information Technology requires spending authority for \$103,515 in reappropriated funds.

### **State and Local Government Contacts**

Cities and Counties  
Special Districts

Clerk and Recorders  
Revenue

Local Affairs  
Transportation