

**STATE and LOCAL
FISCAL IMPACT**

Drafting Number: LLS 15-0135
Prime Sponsor(s): Rep. Dore

Date: February 2, 2015
Bill Status: House Transportation & Energy
Fiscal Analyst: Kristen Koehler (303-866-4918)

BILL TOPIC: BIENNIAL REGISTRATION SEASONAL FARM MOTOR VEHICLES

Fiscal Impact Summary*	FY 2015-2016	FY 2016-2017	FY 2017-2018
State Revenue	<u>\$1,526,656</u>	<u>\$136,326</u>	<u>\$135,315</u>
Revenue Change			
Cash Funds	1,526,656	136,326	135,315
State Expenditures	<u>\$112,958</u>	<u>\$363,138</u>	<u>\$397,934</u>
Cash Funds	112,958	1,354	1,354
General Fund - School Finance Backfill		361,784	396,580
TABOR Impact	<u>\$1,526,656</u>	<u>\$136,326</u>	<u>\$135,315</u>
FTE Position Change			
Appropriation Required: \$112,958 - Department of Revenue (FY 2015-16)			

* This summary shows changes from current law under the bill for each fiscal year.

Summary of Legislation

This bill adjusts the registration interval for seasonal farm motor vehicles from 12 months to 24 months, and defines a seasonal farm vehicle as:

- a vehicle used primarily for agricultural production on land that is classified as agricultural land for property tax purposes, and
- a vehicle that is used no more than six months per year.

The bill requires that, upon registering, the vehicle owner pay 24 months of registration fees in exchange for a 24-month registration period. In addition, the bill reduces the amount of specific ownership tax (SOT) for seasonal farm motor vehicles by half; however, the vehicle owner is required to pay 24 months of SOT at the time of registration (1 full years worth of SOT every two years).

Background

Currently, a farmer or rancher that owns a truck or truck tractor may choose to register that vehicle as a farm vehicle under Section 42-3-306 (4), C.R.S. There is currently no definition of "seasonal" farm vehicle in statute. For farm truck and truck tractors being registered with the Department of Revenue (DOR), the department is *not* authorized to require evidence that the vehicle owner's primary source of income is agriculture; if the vehicle is used primarily for agricultural production on a farm owned or leased by the vehicle owner; or whether the land on which it is used is classified as agricultural land for property tax purposes. As a result, ranchers

and farmers wishing to register their truck or truck tractor as a farm vehicle must complete and submit Form DR 2159 Farm Vehicle Registration Application, certifying under penalty of perjury that the use of the vehicle and land is for agriculture. Once the form is completed, the vehicle is registered as a farm vehicle and receives Farm Truck or Farm Tractor license plates for a 12-month registration period.

The DOR manufactures and provides, through an agreement with the Colorado Department of Corrections, the county clerk and recorders acting as agents of the DOR with single year validation tabs for all vehicles except collector vehicles, which are issued a five-year validation tab. Two-year validation tabs are not currently manufactured.

State Revenue

In FY 2015-16 this bill is expected to increase state cash fund revenue by an estimated \$1,526,656 due to registration fees being collected on an accelerated schedule. In FY 2016-17, cash fund revenue is estimated to increase by \$136,326, and in FY 2017-18 it will increase by \$135,315.

Assumptions. The following assumptions were used to calculate the revenue impact of this bill:

- as of November 30, 2014, there were 67,210 vehicles registered with farm vehicle license plates;
- 8,084 new farm vehicle license plates are issued each year, or 673 per month;
- it is estimated that 75,968 vehicles will be registered with farm vehicle license plates when this bill becomes effective;
- about half of these farm vehicles are "seasonal" farm vehicles and will be eligible for the 24-month registration under the bill (about 37,984 as of January 1, 2016);
- approximately 50 percent of new and renewing "seasonal" farm vehicles will elect to get a 24-month registration, and that the ratio of registered farm vehicles will remain at 50 percent annual and 50 percent 24-month registrations after initial implementation; and
- the average farm vehicle registration fee equals \$88.85 (\$16.20 is county-retained) and the average farm vehicle SOT equals \$61.49 per registration (\$60.99 is county-retained).

Based on these assumptions, this fiscal note estimates that in FY 2015-16, approximately 21,013 (18,992 renewals, 2,021 new registrations) farm vehicle owners will select a 24-month registration. For FY 2016-17, an additional 2,021 new registrations will select the 24-month registration period.

In addition, this fiscal note assumes that the 24-month validation tab will be available for issue beginning January 1, 2016. Due to the programming requirements of the Colorado State Titling and Registration System (CSTARS) and the ability of the Colorado Department of Corrections to manufacture the validation tabs, the changes to the farm vehicle registrations will not be operational on the bill's effective date of August 5, 2015.

Registration fees. Under the bill, 24-months of registration fees are collected at one time, resulting in an increase in revenue to the DOR of \$1,526,656 in FY 2015-16, and \$146,832 in both FY 2016-17 and FY 2017-18. The increase in revenue is due to registration fees being collected on an accelerated schedule. The average annual registration fee is \$88.85, most of which is state revenue; however, an average of \$16.20 per registration fee is retained by the county processing the registration. State revenue from registration fees is credited to the Colorado State Titling and Registration System (CSTARS) account, the License Plate Cash Fund (LPCF), the AIR Account, the Peace Officers Standards Training Fund, the Clean Screen Account, and the Highway Users Tax Fund (HUTF).

Highway Users Tax Fund. As part of registration fee collections, the HUTF receives an average of \$34.78 for every registration processed. In FY 2015-16, this bill will increase HUTF collections by an estimated \$730,852 and, in FY 2016-17 and FY 2017-18, by an estimated \$70,293. This increase is due to registration fees being collected on an accelerated schedule. HUTF revenue from registration fees is distributed to the State Highway Fund (60 percent), to counties (22 percent), and to municipalities (18 percent). The State Highway Fund is administered by the Colorado Department of Transportation.

Specific ownership tax. The bill reduces SOT revenue by 50 percent for seasonal farm vehicles registered for 24 months. The average SOT collection is \$61.49 per vehicle registration. The overall reduction in SOT collections as a result of this bill is estimated to be \$1,292,084 in FY 2016-17 and \$1,416,356 in FY 2017-18; however, the majority of the SOT paid at the time a vehicle is registered is retained by the county registering the vehicle. The CSTARS cash fund does receive \$0.50 for every registration, and this is state revenue. In the first year of implementation, SOT collections will not be impacted because, even though the bill cuts in half the SOT, it requires 24-months payment at one time; therefore, all vehicles being registered in FY 2015-16 will pay what they would have normally paid without this bill. In FY 2016-17, the state revenue reduction from SOT is estimated to be \$10,506, and \$11,517 in FY 2017-18.

TABOR Impact

This bill increases state revenue from fees, which will increase the amount required to be refunded under TABOR.

State Expenditures

For FY 2015-16, this bill will increase state cash fund expenditures in the DOR by an estimated \$112,958. For FY 2016-17 and FY 2017-18, state cash fund expenditures will increase by \$1,354 each year. In FY 2016-17 and FY 2017-18, the bill increases General Fund expenditures by about \$361,784 and \$396,580 for School Finance. Expenditures are explained below.

Computer programming. The DOR will be required to purchase one-time computer programming services in FY 2015-16 to modify the CSTARS system to issue 24-month registrations to seasonal farm vehicles. Computer programming will be completed by the Governor's Office of Information Technology (OIT) at a total cost of \$98,880 (960 hours of programming at a rate of \$103 per hour).

Validation tab production. The fiscal note assumes an issuance rate of 21,013 registrations in FY 2015-16, and 2,021 in both FY 2016-17 and FY 2017-18. The 24-month validation tab costs \$0.67 to manufacture, resulting in a cost of about \$14,078 in FY 2015-16, and \$1,354 in FY 2016-17 and FY 2017-18.

School finance. This bill reduces overall SOT revenue collections by \$1,292,084 in FY 2016-17, and by \$1,416,356 in FY 2017-18. 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 about \$361,784 in FY 2016-17 and \$396,580 in FY 2017-18.

Workload. The DOR will experience a workload increase in order to provide training to agents, titles and registration staff, law enforcement, and other entities impacted by this bill. In addition, rules, forms, manuals, and websites will require updating to reflect the change in law. These activities do not require new appropriations.

Local Government Impact

This bill is expected to increase local government revenue from registration fees by \$340,409 in FY 2015-16, and by \$32,740 in both FY 2016-17 and FY 2017-18. In addition, this bill is expected to increase local government revenue from the HUTF portion of the registration fee by \$292,340 in FY 2015-16, and by \$28,117 in both FY 2016-17 and FY 2017-18.

In FY 2016-17, the bill is expected to reduce local government revenue from SOT collections by \$1,281,578, and in FY 2017-18 the reduction will be about \$1,404,839. These impacts are described in greater detail below.

Finally, it is expected that this bill will result in a workload decrease for certain clerk and recorder offices.

Registration fees. Counties retain an average of \$16.20 for every vehicle registration processed. Local government revenue from registration fees is expected to increase by \$340,409 in FY 2015-16, and by \$32,740 in FY 2016-17 and FY 2017-18. The increase is due to registration collections being made on an accelerated schedule.

Specific Ownership Tax. Under current law, SOT averages \$61.49 per vehicle owner, per year. Of this amount, \$60.99 is county-retained. In FY 2016-17, this bill will impact local government SOT collections, reducing it by an estimated \$1,281,578, and by an estimated \$1,404,839 in FY 2017-18.

Highway Users Tax Fund. The local government share of HUTF revenue collected from registration fees is expected to increase by \$292,340 in FY 2015-16, and by \$28,117 in both FY 2016-17 and FY 2017-18. HUTF revenue from registration fees is distributed to counties (22 percent) and to municipalities (18 percent).

Workload impact. By allowing seasonal farm vehicles to register for a 24-month period, it is expected that the workload of certain county clerk and recorder offices, acting as agents of the DOR, will experience a decrease in workload.

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 5, 2015, if the General Assembly adjourns on May 6, 2015, as scheduled, and no referendum petition is filed.

State Appropriations

For FY 2015-16, the Department of Revenue requires two cash fund appropriations: \$98,880 from the CSTAR account, and \$14,078 from the License Plate Cash Fund. In addition, the Governor's Office of Information Technology requires spending authority for \$98,880 in reappropriated funds.

State and Local Government Contacts

Revenue
Counties
Special Districts
Transportation

Clerks and Recorders
Local Affairs
Agriculture

Municipalities
Personnel and Administration
Department of Corrections