

**STATE
FISCAL IMPACT**

Drafting Number: LLS 13-0604
Prime Sponsor(s): Sen. Aguilar
 Rep. Gerou

Date: February 27, 2013
Bill Status: Senate Judiciary
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TITLE: CONCERNING THE SALE OF UNIQUELY VALUABLE REGISTRATION NUMBERS FOR VEHICLES, AND, IN CONNECTION THEREWITH, MAKING AN APPROPRIATION.

Fiscal Impact Summary	FY 2012-2013	FY 2013-2014	FY 2014-2015
State Revenue General Fund - Income Taxes Cash Funds - Registration Number Fund	Indeterminate decrease Potential increase		
State Transfers Transfer from the Registration Number Fund to the: Disability-Benefit Support Fund General Fund		Potential increase Indeterminate increase	
Transfer from the General Fund to the: State Education Fund		Potential decrease	
State Expenditures Cash Funds - Disability-Benefit Support Fund General Fund		Potential increase \$16,000	
FTE Position Change			
Effective Date: Upon signature of the Governor, or upon becoming law without his signature. Tax changes are effective beginning tax year 2013.			
Appropriation Summary for FY 2013-2014: See State Appropriations section.			
Local Government Impact: None.			

Summary of Legislation

This bill grants the License Plate Auction Group (LPAG) authority to issue an income tax credit for the amount that exceeds the appraised value of a uniquely valuable license plate number. The credit cannot exceed a taxpayer's income tax liability and can be carried forward for up to five years. The amount of the income tax credit must be reimbursed to the General Fund.

In addition, this bill:

- authorizes an auctioneer or other seller of license plate numbers to retain a commission of 20 percent;
- increases the membership of the LPAG from 7 to 11 members;
- allows the LPAG to sell license plates made of alternative materials, as approved by the Department of Revenue;
- allows the LPAG to sell license plates containing any symbol on the standard American keyboard or any symbol approved by the LPAG; and
- authorizes the LPAG to make business decisions to carry out license plate auctions.

Background

HB11-1216 established a seven-member License Plate Auction Group (LPAG) within the Governor's Office to market and manage the sales of uniquely valuable license plate numbers. The group is responsible for identifying popular registration numbers and selling the rights to use these registration numbers. Revenue from these sales are initially deposited into the Registration Number Fund in the Governor's Office, and at the end of each fiscal year, the state treasurer transfers the funds as follows:

- the fund balance, up to \$1.5 million, to the Disability-Benefit Support Fund;
- any fund balance above \$1.5 million up to 2.5 million, to the General Fund; and
- any remaining funds to the Disability-Benefit Support Fund.

To date, no sales have occurred and therefore, no transfers have occurred.

The Disability-Benefit Support Fund was created to provide education, direct assistance and advocacy to enroll those who are eligible for Social Security Disability Insurance, Supplemental Security Income, and Long Term Medicaid but can not get through the application process.

State Revenue

The income tax credit will reduce revenue to the General Fund by an indeterminate amount beginning in FY 2012-13 and each year thereafter. Because the income tax credit is effective beginning tax year 2013, the reduction in revenue in FY 2012-13 will be a half-year impact. To the extent the prospect of an income tax credit generates higher sales of uniquely valuable license plate numbers, revenue to the Registration Number Fund in the Governor's Office may increase.

Because no sales have occurred to date, the amount of new revenue generated and the reduction in General Fund revenue as a result of SB11-170 is uncertain.

State Transfers

SB13-170 may increase the amount transferred from the Registration Number Fund to the General Fund. It will also change the amount transferred to the Disability-Benefit Support Fund. The impact on these transfers are described below.

Transfer to the General Fund to provide reimbursement for the income tax credit. Under SB13-170, the amount of the income tax credit issued by the LPAG is reimbursed to the General Fund. The bill is silent on which fund is to reimburse the General Fund; assuming this reimbursement is made out of the Registration Number Fund, transfers from the Registration Number Fund to the General Fund will increase by at least the amount of the income tax credit. The bill is silent on the timing of the reimbursement; it is possible the reimbursement would not occur during the same fiscal year in which revenue to the General Fund is reduced by the tax credit.

Transfers of sale proceeds to the Disability-Benefit Support Fund and the General Fund. Should this bill result in higher sale proceeds, more money may be available for the year-end transfers contained in current law from the Registration Number Fund to the Disability-Benefit Support Fund and the General Fund. However, SB13-170 is unclear on whether or not the reimbursement to the General Fund for the income tax credit takes precedence over these transfers. There are two scenarios that could occur:

First Scenario. If the transfers under current law take precedence, the amount of money transferred to the Disability-Benefit Support Fund may increase. However, the LPAG may have insufficient funds to reimburse the General Fund for the income tax credit after these transfers.

Second Scenario. If the reimbursement of tax credits to the General Fund takes precedence, current law transfers to the Disability-Benefit Support Fund and the General Fund may be reduced.

House Bill 12-1338 transfers any General Fund surplus in FY 2012-13 to the State Education Fund. By creating a potential reduction in the General Fund, this bill could reduce the amount transferred to the State Education Fund in FY 2013-14.

State Expenditures

For FY 2013-14, the Department of Revenue requires an appropriation of \$16,000 from the General Fund. The amount is for 80 hours of one-time programming costs at \$ 200 per hour. Establishing a new income tax credit will require modification of the GenTax system.

To the extent the bill generates more revenue to the Disability-Benefit Support Fund, state expenditures will increase. Once sufficient revenue is received, Disability-Benefit Support Fund money is to be used to contract with non-profit organizations serving persons with disabilities. Should this occur, this analysis assumes an increase in appropriations will be requested by the Department of Personnel and Administration. Implementation of the program will require the FTE and spending authority identified in the fiscal note for HB11-1216 for staff to manage the state

procurement office. Those costs were estimated to be \$15,648 and 0.3 FTE, paid from the DBS fund once implementation occurred. Future contracting levels are anticipated to remain constant or increase, depending on the amount of program revenue available.

State Appropriations

For FY 2013-14, the Department of Revenue requires a \$16,000 General Fund appropriation to the Department of Revenue for GenTax programming.

For FY 2013-14, the bill appropriates \$85,000 from the Registration Number Fund to the Office of the Governor, for allocation to the LPAG.

Departments Contacted

Human Services Revenue DPA