



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0165

**Title:** Increase vehicle fees to reduce residential property taxes

**Primary Sponsor:** Trebas, Jeremy

**Status:** As Introduced

- Significant Local Gov Impact     
  Needs to be included in HB 2     
  Technical Concerns  
 Included in the Executive Budget     
  Significant Long-Term Impacts     
  Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$1,800	\$0	\$0	\$0
State Special Revenue	\$5,500	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$1,686,668)	(\$1,044,742)	(\$396,397)	\$258,432
State Special Revenue	\$805,453	\$990,025	\$1,166,017	\$1,353,239
<b>Net Impact-General Fund Balance:</b>	<u>(\$1,688,468)</u>	<u>(\$1,044,742)</u>	<u>(\$396,397)</u>	<u>\$258,432</u>

**Description of fiscal impact:** House bill 165 creates an additional fee for vehicles registered pursuant to 61-3-321, MCA, and 61-3-562, MCA. This fee is \$50 in FY 2022, increasing by \$1 in each subsequent year. Revenue from the new fee is to be used by county, or consolidated city-county governments to reduce the mills levied on residential property in their jurisdiction. Section 3 of HB 165 raises the age at which light vehicles are eligible for permanent registration from 11 years to 15 years.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Justice**

- The total number of vehicles subject to the new fee established in section 2 of HB 165 is estimated to be 962,000 in FY 2022, 971,600 in FY 2023, 981,400 in FY 2024, and 991,200 in FY 2025. These projections are developed by increasing the FY 2020 eligible vehicle count by 1% annually, consistent with the assumption for annual vehicle stock growth contained in the HJ 2 revenue estimate.
- With a fee amount of \$50 in FY 2022 and increasing by \$1 each year thereafter, total revenue to county and consolidated city-county governments across the state is estimated to be \$48.10 million in FY 2022, \$49.55 million in FY 2023, \$51.03 million in FY 2024, and \$52.53 million in FY 2025.

3. The new fee in section 2 of HB 165 will be subject to the 3% administrative charge provided for in 61-3-111, MCA. Revenue from this 3% charge is deposited in the motor vehicle division administration account, and is estimated to be \$1.44 million in FY 2022, \$1.49 million in FY 2023, \$1.53 million in FY 2024, and \$1.58 million in FY 2025.
4. There were 69,400 permanent light vehicle registrations in FY 2020. Projecting these registrations forward assuming HJ 2 vehicle stock growth of 1% per year produces an estimate of 70,100 registrations in FY 2021, 70,800 registrations in FY 2022, 71,500 registrations in FY 2023, 72,200 registrations in FY 2024, and 72,900 registrations in FY 2025.
5. Approximately 40% of annual permanent light vehicle registrations are from vehicles 11-14 years of age. Vehicles in this age range will no longer be able to permanently register due to the increase in the permanent registration age from 11 to 15 years in section 3 of HB 165.
6. The permanent registration fee charged to light vehicles is \$87.50. Under current law, a light vehicle may be registered annually for \$28 in lieu of the permanent registration. Per HB 165, vehicles in the 11-14-year age range will pay the \$28 registration fee instead of having the option to register permanently.
7. The immediate fiscal impact of the change in the permanent registration age is negative, but this impact decreases and eventually becomes positive when the number of vehicles in the 11-14-year age range paying the \$28 registration fee in a year is sufficiently large enough to overcome the revenue loss from vehicles 11-14 years old that would have preferred to permanently register in that year.
8. If a vehicle is registered permanently, there is a \$25 fee assessed for the Montana Title Insurance Verification System, which is deposited into the state special revenue fund. If the vehicle is not permanently registered, the fee is \$5 annually.
9. There will be a loss in MTIVS revenue for each year in the evaluation period. At no point during the FY 2022 – FY 2025 window is the revenue gained from the increase in the number of annual \$5 MTIVS payments among the 11-14-year vehicle age group enough to offset the \$25 MTIVS fee revenue forgone due to these vehicles not being able to permanently register.
10. The following table summarizes the fiscal impact of HB 165 for general fund revenue along with state special revenue from the MTIVS fee.

**Fiscal Impact of HB 165**

General Fund Revenue and State Special Revenue from Montana Title Insurance Verification Fee (\$ millions)

	FY 2022	FY 2023	FY 2024	FY 2025
Vehicles 11-14 Years Old That Would Prefer to Permanently Register	28,347	28,631	28,917	29,206
Lost Permanent Registration Fee	-\$87.50	-\$87.50	-\$87.50	-\$87.50
Lost MTIVS Fee Paid Upon Permanent Registration	-\$25.00	-\$25.00	-\$25.00	-\$25.00
Permanent Registration Revenue Forgone	-\$2,480,394	-\$2,505,197	-\$2,530,249	-\$2,555,552
MTIVS Permanent Registration Revenue Forgone	-\$708,684	-\$715,771	-\$722,928	-\$730,158
Vehicles 11-14 Years Old Subject to the Fee in Lieu of Permanent Registration	28,347	52,159	76,209	100,499
Fee in Lieu of Permanent Registration	\$28.00	\$28.00	\$28.00	\$28.00
MTIVS Fee Paid at Time of Annual Registration	\$5.00	\$5.00	\$5.00	\$5.00
Revenue from Fee in Lieu of Permanent Registration	\$793,726	\$1,460,456	\$2,133,853	\$2,813,984
Revenue from Annual MTIVS Fee	\$141,737	\$260,796	\$381,045	\$502,497
General Fund Revenue Impact	-\$1,686,668	-\$1,044,742	-\$396,397	\$258,432
State Special Revenue Impact - MTIVS Fee	-\$566,947	-\$454,975	-\$341,883	-\$227,661

11. Per 61-3-111, MCA, the motor vehicle division assesses a 3% additional charge on all fees in Title 61 to be deposited in the MVD administration account. The fiscal impacts previously discussed related to permanent registration fees and MTIVS fees will affect revenue to the MVD administration account from the 3% surcharge on these fees.

12. The estimated change in MVD administrative account revenue from the increase in the permanent registration age to 15 years is -\$67,600 in FY 2022, -\$45,000 in FY 2023, -\$22,100 in FY 2024, and \$900 in FY 2025.
13. This bill will require vendor changes to the Montana Enhanced Registration and Licensing Information Network and updates to renewal forms which is estimated at \$5,500.
14. There is estimated to be an additional 15 hours of programming necessary within the Justice Information Technology Services Division at a rate of \$120 per hour. (15\*120=\$1,800).

	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.00	0.00	0.00	0.00
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$7,300	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$7,300</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$1,800	\$0	\$0	\$0
State Special Revenue (02)	\$5,500	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$7,300</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
General Fund (01)	(\$1,686,668)	(\$1,044,742)	(\$396,397)	\$258,432
State Special Revenue (02)	\$805,453	\$990,025	\$1,166,017	\$1,353,239
<b>TOTAL Revenues</b>	<u>(\$881,215)</u>	<u>(\$54,717)</u>	<u>\$769,620</u>	<u>\$1,611,671</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$1,688,468)	(\$1,044,742)	(\$396,397)	\$258,432
State Special Revenue (02)	\$799,953	\$990,025	\$1,166,017	\$1,353,239

**Effect on County or Other Local Revenues or Expenditures:**

1. County and consolidated city-county governments will receive \$48.1 million in FY 2022, \$49.55 million in FY 2023, \$51.03 million in FY 2024, and \$52.53 million in FY 2025 from the new motor vehicle fee created in section 2 of HB 165 to use for reducing mills levied on residential property in their jurisdictions.
2. Counties that charge a county option tax on motor vehicle registrations will realize a loss of revenue as the fee is charged at five times the rate in the year of permanent registration.

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date

Budget Director's Initials

Date

01/22/21

KA

1/21/21