



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1261: MOTOR VEHICLE CONSUMER PROTECTIONS

Prime Sponsors:

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Published for: House Business Affairs & Labor**Drafting number:** LLS 26-0460**Version:** Initial Fiscal Note**Date:** March 17, 2026**Fiscal note status:** The fiscal note reflects the introduced bill.

Summary Information

Overview. The bill creates a right to return a motor vehicle to a dealer if it is the only one registered to the owner, and modifies the requirements related to repossession of these vehicles.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. For FY 2026-27, the bill requires a General Fund appropriation of \$174,301 to the Department of Revenue.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$222,308	\$212,607
State Expenditures	\$222,308	\$212,607
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$222,308	\$212,607
Change in State FTE	1.6 FTE	1.8 FTE

Fund sources for these impacts are shown in the tables below.

Table 1A
State Revenue

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$0	\$0
Cash Funds	\$222,308	\$212,607
Total Revenue	\$222,308	\$212,607

Table 1B
State Expenditures

Fund Source	Budget Year FY 2026-27	Out Year FY 2027-28
General Fund	\$185,969	\$0
Cash Funds	\$0	\$171,824
Federal Funds	\$0	\$0
Centrally Appropriated	\$36,339	\$40,783
Total Expenditures	\$222,308	\$212,607
Total FTE	1.6 FTE	1.8 FTE

Summary of Legislation

Right to Return a Vehicle

The bill creates a right to return a motor vehicles to the dealer from which they were purchased within three business days if it is the only vehicle registered to the owner (qualified vehicles). The bill specifies how the qualified vehicle must be returned and sets limits on return fees. This right is enforced by the Motor Vehicle Dealer Board in the Department of Revenue (DOR).

Repossession of Qualified Vehicles

For qualified vehicles, the bill also does the following:

- extends the notice period prior to repossession from 20 to 60 days for owner's first debt default;
- specifies that if an owner pays the creditor the unpaid amount prior to the expiration of the 60 day period, the owner's rights under the agreement are restored;
- prohibits disabling the vehicle for the purpose of repossessing it; and
- requires that the owner be notified of a repossession and that the repossessed vehicle be returned, without voiding any associated agreements, if the default that caused the repossession is cured within 48 days.

Violation of these provisions is a deceptive trade practice.

Background and Assumptions

The [Auto Industry Division](#) in conjunction with the Colorado Motor Vehicle Dealer Board in the DOR licenses car dealers, regulates the sale of cars in Colorado, and process complaints related to car sale frauds.

State Revenue

The bill increases state revenue to the Auto Industry Division Cash Fund by about \$222,000 in FY 2026-27 and \$213,000 in future years from increased licensing fees. Additionally, by identifying new deceptive trade practices, the bill may minimally impact revenue from civil penalties and filing fees.

Licensing Fees

The Auto Industry Division sets licensing fees on auto deals to cover its costs. DOR processes roughly 4,100 auto dealer licenses annually. If fees are increased equally across all licenses types to cover the costs discussed in State Expenditure section, fees will increase by about \$54 in FY 2026-27 and \$52 in FY 2027-28 and ongoing. The fiscal note assumes first-year costs require General Fund while fee revenue accrues. This revenue is subject to TABOR.

Civil Penalties

Under the Colorado Consumer Protection Act, a person committing a deceptive trade practice may be subject to a civil penalty of up to \$20,000 for each violation. Additional penalties may be imposed for subsequent violations of a court order or injunction. Additionally, when the Attorney General or a district attorney brings a civil action on behalf of the state, and the person is found to have committed a violation, the civil penalty is \$10,000 per violation. Revenue for these civil penalties is deposited into the General Fund. It is classified as a damage award and not subject to TABOR. Given the uncertainty about the number of cases that may be pursued by the Attorney General and district attorneys, as well as the wide range in potential penalty amounts, the fiscal note cannot estimate the potential impact of these civil penalties.

Filing Fees

The bill may increase revenue to the Judicial Department from an increase in civil case filings. Revenue from filing fees is subject to TABOR.

State Expenditures

The bill increases state expenditures in DOR by about \$222,000 in FY 2026-27 and \$213,000 in future years. These costs, paid from the General Fund in the first year while new fees are collected to cover the costs and the Auto Industry Division Cash Fund in future years, are summarized in Table 2 and discussed below. The bill also minimally affects workload in the Department of Law and Judicial Department.

Table 2
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2026-27	Out Year FY 2027-28
Personal Services	\$141,253	\$157,852
Operating Expenses	\$2,048	\$2,304
Capital Outlay Costs	\$31,000	\$0
Fleet Vehicle Costs	\$11,668	\$11,668
Centrally Appropriated Costs	\$36,339	\$40,783
Total Costs	\$222,308	\$212,607
Total FTE	1.6 FTE	1.8 FTE

Department of Revenue

The Auto Industry Division in DOR requires 1.8 FTE for Criminal Investigators to investigate complaints related to violations of the right to return provision of the bill. This estimate assumes that the division will receive an additional 150 complaints annually, roughly a 15 percent increase. This increase is expected because current complaint processing is limited to fraudulent car sales; the right to return introduces a new class of sales subject to investigation. Standard operating and capital outlay costs are included, as are additional equipment costs for the POST-certified investigators. First-year costs are prorated for a September 2026 start date,

There is no known mechanism for licensees or the DOR to determine whether a consumer meets the criteria for a qualified vehicle, which may further increase DOR workload; see Technical Note.

Fleet Vehicles

Investigators require vehicles to conduct site visits. Costs are based on rates set by the Department of Personnel and Administration at \$4,793 per vehicle lease and \$1,041 in operating costs. Appropriations to the Department of Personnel and Administration are adjusted through the annual budget process for bills involving under ten vehicles.

Department of Law

Workload in the Department of Law will minimally increase to the extent that deceptive trade practice complaints are filed. The department will review complaints under the bill and prioritize investigations as necessary within the overall number of deceptive trade practice complaints and available resources. Additionally, workload may minimally increase to assist DOR in rulemaking.

Judicial Department

The trial courts in the Judicial Department may have an increase in cases filed under the Colorado Consumer Protection Act from the addition of a new deceptive trade practice. It is assumed that most individuals will abide by the law and that any violation of the legislation will result in minimal number of new cases. The fiscal note assumes that this can be accomplished within existing resources and that no change in appropriations is required.

Centrally Appropriated Costs

Pursuant to a Joint Budget Committee policy, certain costs associated with this bill are addressed through the annual budget process and centrally appropriated in the Long Bill or supplemental appropriations bills, rather than in this bill. These costs, which may include employee insurance, supplemental employee retirement payments, indirect cost assessments, and other costs, are shown in Table 2 above.

TABOR Refunds

The bill is expected to increase the amount of state revenue required to be refunded to taxpayers by about \$222,000 in FY 2026-27 and \$213,000 in FY 2027-28. This estimate assumes the December 2025 LCS revenue forecast. A forecast of state revenue subject to TABOR is not available beyond FY 2027-28. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save in FY 2027-28 and any future years when the state is over its revenue limit.

Local Government

Similar to the state, to the extent district attorneys receive deceptive trade practice complaints related to the new deceptive trade practice under the bill, workload will increase to investigate complaints and seek relief when appropriate. It is assumed most such cases will be handled at the state level by the Attorney General.

Technical Note

The bill impacts motor vehicles that are the only vehicle owned by a debtor. Vehicle registration information is available in the DRIVES system operated by DOR. However, this data cannot definitely determine if individual owns only one vehicle and, for confidentiality reasons, cannot be shared with auto dealers. Additionally, the bill does not specify how this requirement interacts with vehicles registered to multiple people or if a person may be considered an owner of a vehicle if it is registered with a member of their household. Depending on whether the bill resolves these issues, complaints may be more complex and time intensive for DOR.

Effective Date

The bill takes effect 90 days following adjournment of the General Assembly sine die, assuming no referendum petition is filed. It applies to motor vehicle sales made on or after the date the bill takes effect.

State Appropriations

For FY 2026-27, the bill requires a General Fund appropriation of \$174,301 to the Department of Revenue, and 1.6 FTE. (This excludes fleet vehicle costs which will be adjusted for through the annual budget process)

State and Local Government Contacts

Judicial

Revenue

Law

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).