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**HB 19-1157**

**REVISED  
FISCAL NOTE**

(replaces fiscal note dated February 22, 2019)

**Drafting Number:** LLS 19-0718  
**Prime Sponsors:** Rep. Liston

**Date:** February 25, 2019  
**Bill Status:** House Trans. & Local Govt.  
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**Bill Topic:** MODIFY SPECIFIC OWNERSHIP TAX RATES

**Summary of Fiscal Impact:**

- State Revenue
- State Expenditure
- State Transfer
- TABOR Refund
- Local Government
- Statutory Public Entity

The bill increases the specific ownership tax rates for some vehicles between 3 and 24 years old and dedicates the new revenue to the state, cities, and counties for transportation. It will increase state expenditures beginning in FY 2019-20 and increase state and local government revenue and create a state transfer beginning in FY 2020-21.

**Appropriation Summary:** For FY 2019-20, the bill requires an appropriation of \$107,153 to the Department of Revenue.

**Fiscal Note Status:** This fiscal note reflects the introduced bill; it has been updated to include information about the changes the bill makes to model years 3 through 10 not included in the first fiscal note.

**Table 1  
State Fiscal Impacts Under HB 19-1157**

		FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23
<b>Revenue</b>	Cash Funds	-	\$78.6 million	\$86.6 million	\$105.5 million
	<b>Total</b>	-	<b>\$78.6 million</b>	<b>\$86.6 million</b>	<b>\$105.5 million</b>
<b>Expenditures</b>	General Fund	\$107,153	\$206,126	\$206,126	\$206,126
	Cash Funds	-	\$47.2 million	\$51.9 million	\$63.3 million
	Centrally Appropriated	\$10,773	\$64,635	\$64,635	\$64,635
	<b>Total</b>	<b>\$117,926</b>	<b>\$47.6 million</b>	<b>\$52.2 million</b>	<b>\$63.6 million</b>
	<b>Total FTE</b>	<b>0.5 FTE</b>	<b>3.0 FTE</b>	<b>3.0 FTE</b>	<b>3.0 FTE</b>
<b>Transfers</b>	Highway Users Tax Fund	-	(\$78.6 million)	(\$86.6 million)	(\$105.5 million)
	Cash Funds	-	\$47.2 million	\$51.9 million	\$63.3 million
	Local Governments	-	\$31.4 million	\$34.7 million	\$42.2 million
			<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>TABOR Refund</b>	General Fund	-	-	<b>Not Estimated</b>	

**Summary of Legislation**

The bill increases the specific ownership tax (SOT) for vehicles between 10 and 24 model years old starting July 1, 2020. The new SOT revenue is deposited into the Highway Users Tax Fund (HUTF) and then divided between the State Highway Fund (60 percent), counties (22 percent), and municipalities (18 percent). This money must be spent on state and local road projects.

The new SOT rates apply when a vehicle ages into the new rate schedule, or when a new owner registers a vehicle between 10 years and 24 years old. If the SOT on a vehicle is currently \$3 annually, the SOT will remain \$3 annually unless and until the vehicle is registered by a new owner. The new SOT rates under the bill are shown in Table 2, and compared to current law rates.

**Table 2  
Specific Ownership Tax Rates Under HB 19-1157 Compared to Current Law**

Vehicle Model Year	Class A – C		Class D		Class F	
	Current Law	HB 19-1157	Current Law	HB 19-1157	Current Law	HB 19-1157
<b>1st Year</b>	2.10%		2.10%		2.10%	
<b>2nd Year</b>	1.50%		1.50%		1.50%	
<b>3rd Year</b>	1.20%		1.20%		1.25%	1.20%
<b>4th Year</b>	0.90%		0.90%		1.00%	0.90%
<b>5th Year</b>	0.80%		0.80%		0.75%	0.80%
<b>6th Year</b>	greater of 0.45% or \$10	0.70%	0.45%	0.70%	0.50%, not less than \$5	0.70%
<b>7th Year</b>		0.60%		0.60%		0.60%
<b>8th Year</b>		0.50%		0.50%		0.50%
<b>9th Year</b>		0.45%		0.45%		0.45%
<b>10th – 15th Year</b>	0.35%		0.35%		0.35%	
<b>16th – 24th Year</b>	\$3	0.25%	0.45%, not less than \$3	0.25%	0.25%	
<b>25th Year and Older</b>	\$3		\$3		\$3	

**Background**

The SOT is assessed on motor vehicles annually through vehicle registration fees and is calculated based on a vehicle’s value and age. Exemptions are made for government vehicles, agricultural machinery, mobile homes, and vehicles owned by military personnel and certain veterans. SOT revenue is collected by counties and distributed to local taxing jurisdictions within and including the county based on the proportion of property taxes levied by cities, counties, special districts, and school districts during the proceeding calendar year.

**Age.** Under current law, to account for depreciation, the SOT assessment on a vehicle decreases each year until it hits a flat rate in the vehicle’s tenth model year. The bill changes the rates for Class F equipment starting in model year 3, and adds 15 years to the gradual rate decrease, as shown in Table 2 above.

**Taxable value.** The bill does not affect the taxable value calculation, shown in Table 3, which uses the class of the vehicle — or weight of the truck — to determine the percentage of the Manufacturer’s Suggested Retail Price (MSRP) that applies to SOT.

**Table 3**  
**Specific Ownership Taxable Value by Motor Vehicle Class**

<b>Class</b>	<b>Description</b>	<b>Taxable Value</b>
<b>A</b>	Truck, truck tractor, trailer, or semitrailer classified as an interstate commercial carrier and used to transport persons or property over public highways	< 16,000 lbs. = 75% of MSRP > 16,001 lbs. = actual purchase price
<b>B</b>	Truck, truck tractor, trailer, or semitrailer classified for personal use and not used to transport persons or property over public highways	< 16,000 lbs. = 75% of MSRP > 16,001 lbs. = actual purchase price
<b>C</b>	Motor vehicles not included in Class A or Class B (largely passenger vehicles)	85% of MSRP
<b>D</b>	Utility trailer, camper trailer, multipurpose trailer, and trailer	85% of MSRP
<b>F</b>	Special mobile machinery not used for agricultural purposes and self-propelled construction equipment	85% of MSRP if available or 100% of its original retail delivered price

**State Revenue**

Increasing the SOT rates will increase state revenue by \$78.6 million in FY 2020-21, \$86.6 million in FY 2021-22, \$105.5 million in FY 2022-23, as shown in Table 4 and by increasing amounts through FY 2035-36. SOT revenue will increase for the next 15 fiscal years as vehicles age into the new SOT rates. In 2020, vehicles and equipment as new as model year 2017 will age into the new SOT rates. In addition, vehicles that sell or are newly registered in the state will be subject to the new rates. The new SOT revenue is deposited in the HUTF and is subject to TABOR.

**Data and assumptions.** Estimates in this fiscal note are based on SOT collection data for FY 2016-17 provided by the Department of Revenue. This includes the taxable value of vehicle by model year and classification, and data on new registrations of vehicles between 10 and 24 years old representing sold vehicles or vehicles brought into the state subject to the new SOT rates. Using the motor vehicle fleet from FY 2016-17, two components of new SOT collections were estimated: 1) the new SOT collections were calculated for vehicles that age into the new SOT rates; and 2) sold vehicles between model years 10 and 24 that are subject to the new SOT rate schedule.

**State Transfers**

The new state revenue is deposited in the HUTF and transferred to the State Highway Fund, municipalities, and counties as shown in Table 4. Transfers will grow over time with the increase in revenue through FY 2035-36.

**Table 4  
State Revenue and Transfers Under HB 19-1157**

	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
State Highway Fund (60%)	\$47,176,000	\$51,931,000	\$63,277,000
Counties (22%)	\$17,298,000	\$19,042,000	\$23,202,000
Municipalities (18%)	\$14,153,000	\$15,579,000	\$18,983,000
<b>Total</b>	<b>\$78,627,000</b>	<b>\$86,552,000</b>	<b>\$105,462,000</b>

**State Expenditures**

The bill increases the monies available from the State Highway Fund for state transportation projects by \$47.2 million in FY 2020-21, \$51.9 million in FY 2021-22, and \$63.3 million in FY 2022-23, as shown in Table 4 above. The bill also increases General Fund expenditures in the Department of Revenue to administer the new SOT rate schedule by \$117,926 in FY 2019-20, and \$270,761 beginning in FY 2020-21. These expenditures are shown in Table 5 and discussed below.

**Table 5  
State Expenditures Under HB 19-1157**

	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>Department of Revenue</b>		
Personal Services	\$33,879	\$203,276
Operating Expenses and Capital Outlay Costs	\$14,774	\$2,850
Computer Programing (DRIVES)	\$58,500	-
Centrally Appropriated Costs*	\$10,773	\$64,635
<b>Total Cost</b>	<b>\$117,926</b>	<b>\$270,761</b>
<b>Total FTE</b>	<b>0.5 FTE</b>	<b>3.0 FTE</b>

\* Centrally appropriated costs are not included in the bill's appropriation.

**Department of Revenue.** The Department of Revenue administers motor vehicle registrations and will implement the new SOT rates and make monthly distributions of SOT revenues. This will require \$58,500 in DRIVES computer programing in FY 2019-20, calculated based on 260 hours of programing at the contract rate of \$225 per hour. The department requires 2.5 FTE to test the calculation of the new SOT rates and maintain the correct calculation of registration fees. In addition, 0.5 FTE accounting staff will be required to distribute the SOT revenue on a monthly basis to each county and the State Highway Fund. The new FTE are expected to start in April 2020, representing a partial year impact in FY 2019-20. Standard operating expenses and capital outlay costs are included.

**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 include employee insurance, supplemental employee retirement payments, and leased space, are estimated to be \$10,773 in FY 2019-20 and \$64,635 in FY 2020-21 and ongoing.

**TABOR refunds.** The bill is expected to increase state General Fund obligations for TABOR refunds in an amount equal to the new SOT revenue when the state has a TABOR surplus in any year after FY 2020-21. The state is not expected to collect a TABOR surplus in FY 2020-21 and the TABOR situation is not forecast in future years.

## Local Government

Counties will receive \$17.3 million in transfers in FY 2020-21, \$19.0 million in FY 2021-22, and \$23.2 million in FY 2022-23 for county transportation projects with larger transfers in subsequent years through FY 2035-36. Municipalities will receive \$14.2 million in FY 2020-21, \$15.6 million in FY 2021-22, and \$19.0 million in FY 2022-23 with larger transfers in subsequent years through FY 2035-36 for municipal transportation projects. These amounts are shown in Table 4 for the first three years the bill is in effect.

## Technical Note

There is a potential conflict between the bill and Sections 42-3-107 (22) and 42-1-213, C.R.S. Those two statutes require counties to retain \$0.50 for each SOT transaction they process, while the bill requires all SOT revenue to be transmitted to the state treasurer before being transferred back to counties for the existing property tax distribution or the HUTF for the new transportation distribution.

## Effective Date

The bill takes effect August 2, 2019, if the General Assembly adjourns on May 3, 2019, as scheduled, and no referendum petition is filed.

## State Appropriations

For FY 2019-20, the bill requires an appropriation of \$107,153 and 0.5 FTE from the General Fund to the Department of Revenue.

## State and Local Government Contacts

Counties	Education	Municipalities
Revenue	Special Districts	Transportation