



Legislative
Council Staff

Nonpartisan Services for Colorado's Legislature

HB 20-1320

**FINAL
FISCAL NOTE**

Drafting Number: LLS 20-0985
Prime Sponsors: Rep. Van Winkle; Snyder

Date: July 21, 2020
Bill Status: Postponed Indefinitely
Fiscal Analyst: Jeff Stupak | 303-866-5834
Jeff.Stupak@state.co.us

Bill Topic: **OFF-HIGHWAY VEHICLE CERTIFICATES OF TITLE**

Summary of Fiscal Impact:

<input checked="" type="checkbox"/> State Revenue	<input type="checkbox"/> TABOR Refund
<input checked="" type="checkbox"/> State Expenditure	<input checked="" type="checkbox"/> Local Government
<input type="checkbox"/> State Transfer	<input type="checkbox"/> Statutory Public Entity

The bill would have made changes to titling procedures and sales tax requirements for the transfer of off-highway vehicles, and would have granted off-highway vehicle dealers access to the Department of Revenue's vehicle services portal. The bill would have impacted state and local revenue and increased state and local expenditures beginning in FY 2020-21.

Appropriation Summary: In FY 2020-21, the bill would have required an appropriation of \$4,950 to the Department of Revenue.

Fiscal Note Status: This fiscal note reflects the introduced bill. This bill was not enacted into law; therefore, the impacts identified in this analysis do not take effect.

**Table 1
State Fiscal Impacts Under HB 20-1320**

		FY 2020-21	FY 2021-22
Revenue	Cash Funds	-	\$313,500
	Total	-	\$313,500
Expenditures	Cash Funds	\$4,950	\$268,549
	Centrally Appropriated	-	\$20,768
	Total	\$4,950	\$289,317
	Total FTE	-	1.6 FTE
Transfers		-	-
TABOR Refund		-	-

Summary of Legislation

The bill makes changes to titling procedures and sales tax requirements for the transfer of off-highway vehicles (OHV), and grants OHV dealers access to the Department of Revenue's (DOR) vehicle services portal.

Certificate of title. Current law requires an OHV to have a certificate of title unless it was first sold or transferred before July 1, 2014, and any subsequent transfers occurred between private parties, or if the vehicle is exclusively used for agricultural purposes on private land. The bill requires all OHV transfers to have a certificate of title on or after July 1, 2021, and continues the current agricultural exemption.

Sales tax requirements. The bill exempts private transfers of OHVs from state and local sales tax if the transfer occurred between July 1, 2014 and July 1, 2021.

Off-highway vehicle dealers. The bill authorizes licensed OHV dealers to electronically access the DOR's vehicle services portal to verify information under certain circumstances. DOR may charge a fee to OHV dealers to access the vehicle services portal.

The bill also allows a motor vehicle or OHV dealer to purchase an OHV without a title if the vehicle was never titled and was originally purchased in Colorado before July 1, 2014, or if the vehicle was originally purchased in Colorado before July 1, 2021 from a private individual.

Background

Currently, OHV owners may elect, but are not required, to title their vehicle. If OHV owners elect to title their vehicle, owners must provide ownership documents and proof of sales tax paid, unless the transfer occurred before July 1, 2014.

Owners that purchased an OHV before July 1, 2014, or that transferred an OHV to an OHV dealer do not need a certificate of title, but instead must complete an affidavit. OHV dealers use the affidavit to obtain a certificate of title. If the OHV is already titled, or was purchased after June 30, 2014, the transfer of ownership is completed on the certificate of title.

OHV include motorcycles, dirt bikes, three-wheelers, ATVs, surplus military vehicles, and dune buggies that are operated on public lands and trails in Colorado. OHVs must be registered with Colorado Parks and Wildlife. All OHVs owned and operated in Colorado must display current registration stickers when in an OHV staging area or operated on designated trails or routes.

Data and Assumptions

In 2019, Colorado Parks and Wildlife in the Department of Natural Resources issued 197,192 OHV annual permits. This does not include OHVs operated exclusively on private property and includes out-of-state OHVs permitted to access trails in Colorado. However, it is assumed that nearly all OHVs operated exclusively on private lands qualify for the agricultural exemption from the titling. It is further assumed that the number of OHVs will increase by 10 percent year over year.

According to data from the DOR, there are currently 81,330 off-highway vehicles with a certificate of title. Based on data and assumptions above, there are approximately 115,862 OHVs in Colorado without a certificate of title in FY 2020-21, and there will be approximately 127,448 OHVs without a title in FY 2021-22. Additionally, approximately 30 percent of motor vehicles are sold/transferred each year and issued a new certificate of title. The fiscal note assumes that OHVs experience the same transfer rate as motor vehicles, or in other words about 38,234 OHV will obtain a certificate of title for the first time each year.

According to the Department of Public Safety, approximately 10 percent of OHV owners will require a certified VIN inspection in order to obtain a certificate of title, or about 3,823 inspections per year. Certified VIN inspections are performed by the Colorado State Patrol at a cost of \$50 per inspection.

State Revenue

The bill will decrease sales tax revenue in FY 2020-21 and increase state fee revenue by \$315,497 in FY 2021-22.

Sales tax revenue. The bill will decrease sales tax revenue by an indeterminate amount in FY 2020-21 due to the extension of the sales tax exemption for the private sale of OHVs until July 1, 2021. Because these sales are made between private parties with no certificate of title, there is no data on the potential decrease in state sales tax revenue.

Fee impact on OHV owners. Colorado law requires legislative service agency review of measures which create or increase any fee collected by a state agency. Table 2 below identifies the fee impact of this bill.

**Table 2
 Fee Impact on OHV Owners**

Fiscal Year	Type of Fee	Existing Fee	Number Affected	Total Fee Impact
FY 2021-22	Certificate of Title	\$7.20	38,234	\$275,288
	Certified VIN Inspection	\$50.00	3,823	\$191,150
FY 2021-22 Total				\$466,438
<i>VIN Inspections Cash Fund</i>				<i>\$191,150</i>
<i>DRIVES Cash Fund</i>				<i>\$122,350</i>
<i>Counties</i>				<i>\$152,938</i>

The bill requires all OHV transfers to have a certificate of title on or after July 1, 2021. Therefore, beginning in FY 2021-22, the bill will increase state cash fund revenue from increased titling fees and certified VIN inspections. It is assumed that 38,234 OHVs will be required to obtain a title in order to be sold/transferred in FY 2021-22. Individuals are charged a fee of \$7.20 to obtain a new certificate of title, of which \$4.00 is retained by the county clerk in which the OHV is registered and \$3.20 is transferred to the DRIVES Cash Fund. Furthermore, the bill will increase revenue to the VIN Inspections Cash Fund by \$191,150 in FY 2021-22 as a result of additional certified VIN inspections.

State Expenditures

The bill increases state cash fund expenditures by \$4,950 in FY 2020-21 and \$289,317 in FY 2021-22, as shown in Table 3 and discussed below.

**Table 3
 Expenditures Under HB 20-1320**

	FY 2020-21	FY 2021-22
Department of Revenue		
Personal Services	-	\$60,935
Operating Expenses	-	\$2,160
Capital Outlay Costs	-	\$12,400
DRIVES Programming	\$4,950	-
Secure Paper	-	\$1,904
Centrally Appropriated Costs*	-	\$20,768
FTE – Personal Services	-	1.6 FTE
DOR (Subtotal)	\$4,950	\$98,167
Department of Public Safety		
Certified VIN Inspections	-	\$191,150
DPS (Subtotal)	-	\$191,150
Total Cost	\$4,950	\$289,317
Total FTE	-	1.6 FTE

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

Department of Revenue. Expenditures in the DOR will increase by \$4,950 in FY 2020-21, and by \$98,167 in FY 2021-22 and future years.

Programming costs. In FY 2020-21 only, programming costs of \$4,950 are required to update the DRIVES system to search for and return OHV records to OHV dealers. Programming costs are assumed at 22 hours at a rate of \$225 per hour.

Staffing costs. The DOR also requires an additional 1.6 FTE administrative assistant beginning in FY 2021-22 to review and verify the ownership of OHVs when individuals seek a certificate of title for the first time and to manage additional users interacting with the vehicle services portal.

Secure paper. Colorado certificates of title are printed on secure paper that costs approximately 50 cents per page. Expenditures will increase by \$1,904 to produce an additional 38,234 certificates of title in FY 2021-22.

Other workload impacts. The bill will also increase workload in DOR to complete a number of tasks, including:

- processing applications from OHV dealers and establishing their accounts to access the vehicle services portal from DOR;
- updating rules, forms, manuals, and websites to reflect the change in law; and
- providing training to county clerks, OHV dealers, the Vehicle Services section, law enforcement, and other entities affected by the bill.

This increase in workload can be accomplished within existing appropriations.

Department of Public Safety. The bill increases expenditures from the VIN Inspections Cash Fund by \$191,150 in the Department of Public Safety. The bill will result in approximately 3,823 additional certified VIN inspections beginning in FY 2021-22, which costs the department \$50 each to complete.

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 and supplemental employee retirement payments, are estimated to be \$20,768 in FY 2021-22.

TABOR refunds. Under the March 2020 LCS Economic and Revenue Forecast, the state is not expected to collect revenue above the TABOR limit in either FY 2020-21 or FY 2021-22, and refund obligations are not anticipated for these years. This bill does not change these expectations concerning refunds to taxpayers.

Local Government

The bill will increase revenue and expenditures for county clerks beginning in FY 2021-22. As shown in Table 2, county clerks retain \$4.00 of every \$7.20 title fee collected to process and issue a certificate of title; as such, the bill is expected to increase revenue to the county clerks by \$152,938 in FY 2021-22. The bill will also increase expenditures by county clerks to process the new certificate of title transactions by approximately \$101,250.

Additionally, the exemption from local sales tax for the transfer of OHVs will reduce local government sales tax revenue by an indeterminate amount in FY 2020-21.

Effective Date

The bill was postponed indefinitely by the House Finance Committee on May 28, 2020.

State Appropriations

For FY 2020-21, the bill requires an appropriation of \$4,950 from the Colorado DRIVES Vehicle Services Account to the Department of Revenue.

State and Local Government Contacts

Counties
Revenue

County Clerks
Transportation

Information Technology