

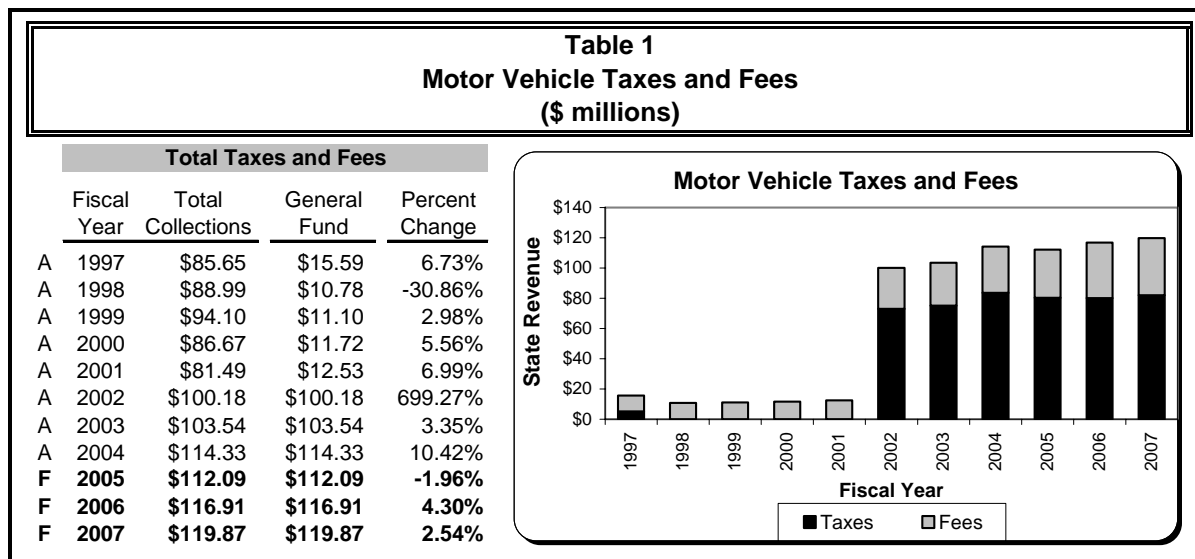
## MOTOR VEHICLE TAXES AND FEES

### Revenue Description

Titles 61 and 23, MCA, provide for multiple registration fees and fees in lieu of taxes on motor vehicles. Motor vehicles including light vehicles, heavy vehicles weighing more than 1 ton, motor homes, trailers, travel trailers, watercraft, motorcycles, snowmobiles, campers, and off-highway vehicles are charged registration and titling fees, along with fees in lieu of tax based on one or a combination of the following criteria: age, weight, size, or vehicle type.

### Historical and Projected Revenue

Table 1 shows actual and projected total tax collections and general fund revenue from motor vehicle taxes and fees for FY 1994 to FY 2007.



The large fluctuations in revenue are mostly attributable to legislative changes. Recent legislation has significantly affected motor vehicle taxes and fees since FY 2000. The following is not a comprehensive list of legislation that has affected motor vehicle taxes and fees; it only includes the bills that had significant fiscal impacts.

SB 260 (1999 session) reduced the ad valorem tax on light vehicles from 2% to 1.4% beginning January 1, 2000. This explains the decrease in vehicle taxes in FY 2000 and FY 2001.

HB 540 (1999 session) and HB 4 (2000 special session) eliminated the ad valorem tax and the 1.5% “new car” sales tax beginning January 1, 2001, and replaced these two ad valorem taxes with a three-tier flat fee based on the age of the vehicle. The

annual revenue from the three-tier flat fee is less than revenue from the two ad valorem taxes.

HB 247 (2001 session) reduced the fee in lieu of tax on heavy vehicles by 50% over a three-year period beginning January 1, 2003. HB 247 is further analyzed and discussed later in the report since its impacts carry into future fiscal years.

HB 124 (2001 session) distributed vehicle taxes to the state general fund beginning in FY 2002. Prior to FY 2002 the fees in lieu of taxes on motor vehicles were distributed to nine separate state revenue accounts. The state general fund did not receive revenue from vehicle taxes from FY 1998 through FY 2001. HB 124 also changed the distribution of miscellaneous motor vehicle fees. Fees retained by local governments and state agencies prior to FY 2002, are now deposited in the state general fund, with a few exceptions. This change in the distribution of vehicle fees explains the general fund increase of 699% in FY 2002.

As Table 1 illustrates, motor vehicle revenue increased 10.42% in FY 2004, and is anticipated to decrease 1.96% in FY 2005, and then show moderate growth in FY 2006 and FY 2007. Projected fluctuations in revenue are mostly the result of legislation passed in the 2003 session: HB559, permanent vehicle registration; SB 118, new license plate issue; SB 336, Fish, Wildlife & Parks \$4 recreation-park fee; and SB 401, renewal notice for licenses. The impact of these bills is discussed in the methodology section.

### Combining Vehicle Taxes and Fees

In the past, revenue estimates were provided for motor vehicle taxes and fees separately. However, recent legislation and accounting practices have effectively removed the distinction between vehicle taxes and fees. Although this revenue estimate combines taxes and fees, Table 2 shows historical and projected fees and taxes separately, listed in the prior classifications.

Table 2 Motor Vehicle Taxes and Fees (\$ millions)									
Fiscal Year	Motor Vehicle Taxes			Motor Vehicle Fees			Total Taxes and Fees		
	Total Collections	General Fund	Percent Change	Total Collections	General Fund	Percent Change	Total Collections	General Fund	Percent Change
A 1997	\$75.33	\$5.27	9.74%	\$10.32	\$10.32	5.25%	\$85.65	\$15.59	6.73%
A 1998	\$78.21	\$0.00	N.A.	\$10.78	\$10.78	4.49%	\$88.99	\$10.78	-30.86%
A 1999	\$83.01	\$0.00	N.A.	\$11.10	\$11.10	2.98%	\$94.10	\$11.10	2.98%
A 2000	\$74.95	\$0.00	N.A.	\$11.72	\$11.72	5.56%	\$86.67	\$11.72	5.56%
A 2001	\$68.95	\$0.00	N.A.	\$12.53	\$12.53	6.99%	\$81.49	\$12.53	6.99%
A 2002	\$73.13	\$73.13	N.A.	\$27.05	\$27.05	115.84%	\$100.18	\$100.18	699.27%
A 2003	\$75.19	\$75.19	2.81%	\$28.35	\$28.35	4.80%	\$103.54	\$103.54	3.35%
A 2004	\$83.61	\$83.61	11.20%	\$30.72	\$30.72	8.37%	\$114.33	\$114.33	10.42%
F 2005	<b>\$80.36</b>	<b>\$80.36</b>	<b>-3.88%</b>	<b>\$31.73</b>	<b>\$31.73</b>	<b>3.26%</b>	<b>\$112.09</b>	<b>\$112.09</b>	<b>-1.96%</b>
F 2006	<b>\$80.14</b>	<b>\$80.14</b>	<b>-0.27%</b>	<b>\$36.77</b>	<b>\$36.77</b>	<b>15.89%</b>	<b>\$116.91</b>	<b>\$116.91</b>	<b>4.30%</b>
F 2007	<b>\$82.05</b>	<b>\$82.05</b>	<b>2.38%</b>	<b>\$37.82</b>	<b>\$37.82</b>	<b>2.87%</b>	<b>\$119.87</b>	<b>\$119.87</b>	<b>2.54%</b>

## Background

There are numerous vehicle types that pay motor vehicle taxes: light vehicles, watercraft, snowmobiles, motorcycles and quadracycles, off-highway vehicles, travel trailers, trailers, heavy vehicles, motor homes, mobile homes, manufactured dwellings, and special mobile vehicles.

For purposes of this analysis, motor vehicle types can be separated into four major categories:

- 1) *Heavy Vehicles*, which are vehicles that weight more than one ton.
- 2) *Light vehicles*, which are the cars, trucks, and SUVs used as basic commuter transportation.
- 3) Vehicles required to *permanently register*, other than light and heavy vehicles, which includes watercraft, snowmobiles, motorcycles and quadracycles, off-highway vehicles, travel trailers, and trailers.
- 4) Vehicles *not required to permanently register*, other than light and heavy vehicles, which includes motor homes, mobile homes, manufactured dwellings, and special mobile vehicles.

With approximately one million registrations each year, light vehicles currently account for over 75% of all vehicle registrations. Depending on the vehicle type, along with other criteria, a vehicle will pay multiple fees and taxes. For instance, a typical light vehicle (car, truck, SUV) will pay between four and ten taxes/fees. Each motor vehicle type will pay different taxes/fees than another vehicle type, but in most cases will pay a tax or fee also paid by other vehicle types. For instance, nearly all vehicle types are required to pay a \$0.25 senior citizens transportation fee; and all vehicles will pay title fees when title work is required. However, not all vehicles of the same type will pay the same taxes or fees because many taxes and fees are based on multiple criteria such as age, weight, length, use, or even who owns the vehicle.

Table 3 illustrates the overlap and differences in taxes/fees that various types of vehicles pay. Table 3 is for illustration purposes only, and does not include all fees that are assessed for each vehicle type. For example, Table 3 does not include any county taxes/fees; non-general fund revenue taxes/fees like GVW fees, technology fees, safety fees; or other fees that could apply like personalized plate fees.

As Table 3 shows, many types of vehicles pay the same tax/fee, while vehicles of the same type can pay different taxes/fees, or the same tax/fee but differing amounts depending on the vehicles age, weight, length, or use.

**Table 3**  
**Illustration of Taxes and Fees Paid on Select Vehicles Tax Year 2004**  
**General Fund Fees/Taxes Only<sup>1</sup>**

Tax or Fee	Light Vehicles		Heavy Vehicles	Trailer 1		Travel Trailer	Mobile Home	Motor-cycle	Off Highway	Snow-mobile	WaterCraft	
	Ex. 1	Ex. 2 (new)		Ex. 1	Ex. 2						Ex. 1	Ex. 2
Veterans Services	0.50	0.50	0.50	0.50	0.50	0.50		0.50				
Sr. Citizens Transportation	0.25	0.25	0.25	0.25	0.25			0.25				
FWP Park Fee (optional)		4.00										
Light Registration Fee <sup>2</sup>	13.75	18.75	18.75									
Light Registration Flat <sup>2</sup>	6.00	195.00										
State Lien Title Fee		4.00					4.00					
Light Title (New Junk Fee)		2.00										
New Plate Issue		5.00										
Truck Flat <sup>2,3</sup>			66.00									
Highway Patrol Pension				1.25	1.25			1.25				
Trailers Flat <sup>2</sup>				25.00	65.00							
Trailer Registration <sup>2</sup>				8.25	16.25							
Travel Flat <sup>2</sup>						65.00						
RV Registration						3.50						
RV Trailer Fee						11.75						
Single Move Permit							5.00					
Motorcycle One-time								20.00				
Motorcycle Registration								9.75				
Off Highway Flat									20.00			
Off Highway Extra									2.00			
Off Highway Registration									9.00			
Snowmobile Flat <sup>2</sup>										20.00		
Snowmobile Registration										6.50		
Watercraft Flat <sup>2</sup>											25.00	140.00
Boat ID Number											3.50	3.50
<b>Total State Tax<sup>1</sup></b>	<b>\$20.50</b>	<b>\$229.50</b>	<b>\$85.50</b>	<b>\$35.25</b>	<b>\$83.25</b>	<b>\$80.75</b>	<b>\$9.00</b>	<b>\$31.75</b>	<b>\$31.00</b>	<b>\$26.50</b>	<b>\$28.50</b>	<b>\$143.50</b>

<sup>1</sup>Does not include all fees that could be paid. For example county taxes/fees, non-general fund revenue like GVW fees - technology fees - safety fees, or other fees that could apply.

<sup>2</sup>Fee or tax is dependent upon vehicle length, weight, age, use, or ownership.

<sup>3</sup>Average fee.

## **Forecast Methodology and Projection Calculation**

A revenue estimation model was developed for motor vehicle taxes and fees. Within this model each of the 175 motor vehicle taxes/fees is projected individually and then summed for total revenue. There are four basic steps in the model:

1. The number of transactions for each tax/fee are estimated by calendar year;
2. The appropriate rate is determined for each tax/fee by calendar year;
3. The number of transactions per tax/fee are multiplied by the tax/fee rate for that transaction to obtain total revenue; and
4. Calendar year revenue is converted to fiscal year revenue.

The explanation of the steps is in general terms to convey the theory behind the model. It is not possible to explain within the time or space available, each variable or assumption when there are so many taxes/fees, vehicle types, and law changes.

### **Step 1: Determine the Number of Transactions for each Tax/Fee**

Transaction refers to the number of times each tax/fee is paid. There are four steps to determining the number of transactions for each tax/fee: (1) establish a matrix of taxes/fees by vehicle type; (2) determine the number of transactions which will occur for each tax/fee before the 2003 session law changes; (3) adjust the transactions to reflect the law changes, which includes determining the transfer rate by vehicle type; and (4) determine the impact of the law changes.

#### **Vehicle Fee Matrix**

A matrix is established which identifies all vehicle types and every tax/fee that each vehicle type pays. The matrix resembles the illustration in Table 3 that shows a select group of taxes/fees paid by select vehicle types.

#### **Number of Transactions Before 2003 Law Changes**

The number of transactions for each tax/fee for calendar year 2003 by vehicle type is determined from the Department of Justice motor vehicle database. Then a growth rate is estimated and applied for each vehicle type for calendar year 2004 through calendar year 2007.

Using the motor vehicle databases for each calendar year, the average annual growth rate from calendar year 2001 through calendar year 2003 for each type of vehicle was determined. The average annual growth rate was then compared with collections through FY 2004 and adjusted to equal the FY 2004 revenue.

For calendar years 2005, 2006, and 2007, national and local economic indicators were compared to recent vehicle growth in Montana. Montana vehicle transactions growth of 5.3% in calendar year 2003 outpaced all national and local economic indicators such as inflation, wage and salary growth, etc. Therefore, Global Insight's national forecasts of 'unit sales of new automobiles' and 'stock of registered light motor vehicles' are used as a baseline to predict growth for all vehicle types.

Figure 1 graphically displays actual and projected Montana transactions, and national new light vehicle sale trends from calendar year 2002 through 2007.

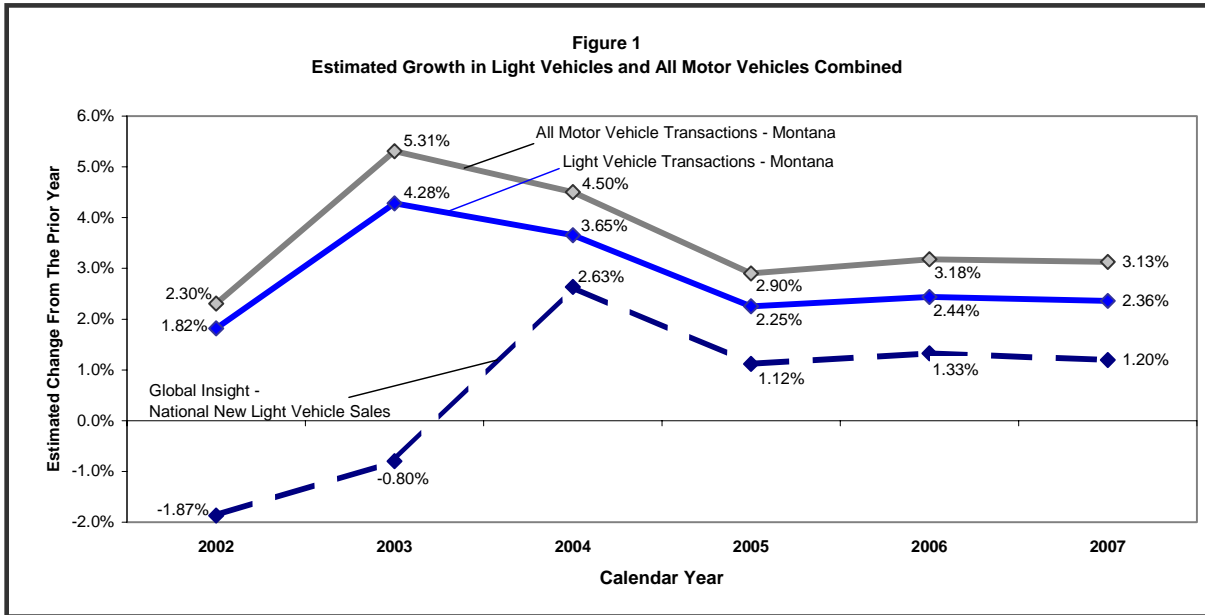


Table 4 shows estimated growth rates and the percent change in growth for Global Insight's national new light vehicle sales and national light vehicle registered stock series, estimated Montana light vehicle transactions, and all motor vehicle types transactions combined in Montana for calendar years 2004 through 2007.

Global Insight's national forecast anticipates growth in new car sales to decrease from 2.63% in calendar year 2004 to 1.12% in 2005, or to slow by 57.5%. Global Insight's national forecast anticipates growth to remain almost constant in 2006 and 2007 with estimated rates of 1.33% and 1.20% respectively. These figures are shown in the top left of Table 4.

Table 4 Estimated Motor Vehicle Growth				
-----Global Insight - National-----				
Calendar Year	New Light Vehicle Sales		Registered Light Veh. Stock	
	Growth	% Change	Growth	% Change
2004	2.63%	-	1.51%	-
2005	1.12%	-57.5%	1.60%	6.4%
2006	1.33%	18.7%	1.65%	2.7%
2007	1.20%	-10.0%	1.59%	-3.4%
-----Montana-----				
Calendar Year	Light Vehicle Transactions		All Vehicle Transactions	
	Growth	% Change	Growth	% Change
2004	3.65%	-	4.50%	-
2005	2.25%	-38.3%	2.90%	-35.5%
2006	2.44%	8.1%	3.18%	9.6%
2007	2.36%	-3.1%	3.13%	-1.7%

The bottom portion of Table 4 shows the projected growth in transactions for light vehicles and all vehicles being recorded in the motor vehicle database. As Figure 1 shows, projected growth rates closely follow Global Insight's national trend in new light vehicle sales. Montana vehicle transactions in the past, however, have not seen the extreme highs or lows that were observed at the national level. In addition, as shown in Figure 1, the actual growth rate in Montana transactions has been consistently higher than the national trend. Hence, as Table 4 and Figure 1 show, the projected growth trends in Montana vehicle stock has been leveled slightly for calendar years 2004 through 2007, but is projected to remain at a constant level above Global Insight's national trend.

Notice that the growth rate for all motor vehicles, including light vehicles, is higher than the growth rate of light vehicles. The growth rate in other vehicles is higher because some vehicle types, such as motorcycles, have an average growth rate of three or four times that of light vehicles.

The model projects growth rates for each vehicle type separately, by adjusting the actual annual average growth rate by the percent change in the growth shown in Table 4. However, with federal accelerated depreciation sun-setting January 1, 2005, it is expected that heavy vehicle purchases will slow. For purposes of this analysis, heavy vehicles are held constant.

For vehicles other than heavy and light vehicles, the actual average annual growth rate is adjusted for future years by the percent change estimated for all vehicles. The estimated percent change for all vehicles is shown on the bottom right of Table 4, and is estimated at -35.5% in calendar 2005, 9.6% in calendar 2006, and -1.7% for calendar 2007. For example, growth for mobile homes is estimated at 3.42% in calendar year 2004; 2.21% in calendar year 2005 ( $(3.42\% \times (-35.5\% + 100\%))$ ); 2.42% in calendar year 2006 ( $(2.21\% \times (9.6\% + 100\%))$ ); and 2.38% in calendar year 2007 ( $(2.42\% \times (-1.7\% + 100\%))$ ). This methodology is applied to all vehicle types.

#### Adjust the transaction for 2003 Legislation

**HB 559** (2003 session) requires permanent registration of watercraft, snowmobiles, motorcycles and quadracycles (except those with specialty licenses plates), off-highway vehicles, travel trailers, and trailers. Beginning January 1, 2005, permanently registered vehicles under HB 559 will only register and pay taxes and fees each time they are registered (new purchase or transfer), or approximately once every four or five years. The estimated number of transactions is adjusted for the changes due to HB 559.

Many taxes/fees under HB 559 are now one-time fees that also are payable upon transfer of ownership. Instead of using motor vehicle counts adjusted for growth, these taxes/fees must be estimated based on new purchases and ownership transfers. Keying on the \$5.00 fee paid for title work in the motor vehicle database as an indicator of new vehicle purchases or ownership transfers, and assuming that

92% of title work is for ownership transfers, transfer rates are projected for each vehicle type, including adjustments for anticipated growth for each vehicle type.

Transfer rates are higher than natural growth rates because these rates include new vehicles, along with used vehicles sold or transferred to new owners. Observed transfer rates are on average higher than 20%; which means approximately one in five vehicles registered each year is either a new purchase, or was transferred to a new owner. Transfer rates, like growth rates, vary among vehicle types and are estimated separately.

Table 5 shows estimated vehicle transactions without the effects HB 559, and estimated transactions under HB 559. In the table, a transaction is representative of each vehicle record in the DOJ database; a record occurs in the database when taxes/fees are paid, which would include when a vehicle is registered, changes ownership, or some other title work was done and a tax/fee was paid. As shown on the right-hand side of Table 5, beginning in calendar year 2005 when permanent registration is required for multiple vehicle types under HB 559, the number of vehicle transactions is projected to decrease by nearly 20%.

<b>Table 5</b> <b>HB 559 Estimated Impacts</b> <b>Vehicle Transactions (millions)</b>								
Calendar Year	Transactions Without HB 559				Transactions With HB 559			
	Light Vehicle	Other Vehicles	Total	Change	Light Vehicle	Other Vehicles	Total	Change
2003	1.032	0.460	<b>1.492</b>		1.032	0.460	<b>1.492</b>	
2004	1.069	0.490	<b>1.559</b>	<b>4.50%</b>	1.069	0.490	<b>1.559</b>	<b>4.50%</b>
2005	1.093	0.511	<b>1.604</b>	<b>2.90%</b>	1.093	0.167	<b>1.260</b>	<b>-19.18%</b>
2006	1.120	0.535	<b>1.655</b>	<b>3.18%</b>	1.120	0.169	<b>1.289</b>	<b>2.29%</b>
2007	1.147	0.561	<b>1.707</b>	<b>3.13%</b>	1.147	0.171	<b>1.318</b>	<b>2.23%</b>

## **Step 2: Updated Tax/Fee Rates**

The legislature changed many of the tax/fee rates and what types of vehicles pay each tax/fee during the last sessions.

**HB 247** (2001 session) reduced the fee in lieu of tax on heavy vehicles by 50% over a three-year period beginning January 1, 2003. HB 247 impacts are projected using anticipated vehicle counts multiplied by an estimated average tax rate. Estimated impacts are shown in Table 6.



**Table 6**  
**Estimated HB247 (2001 Session) Revenue Impact**

Fiscal Year	Prior to HB247			HB247 Implemented			Revenue Change
	Number of Vehicles	Average Tax Rate	Heavy Vehicle Revenue	Number of Vehicles	Average Tax Rate	Heavy Vehicle Revenue	
2003	37,380	x \$78.12	= \$2,920,228	37,380	x \$66.03	= \$2,468,201	(\$452,026)
2004	37,380	x \$78.12	= \$2,920,228	37,380	x \$55.43	= \$2,071,882	(\$848,345)
2005	37,380	x \$78.12	= \$2,920,228	37,380	x \$46.53	= \$1,739,200	(\$1,181,028)
2006	37,380	x \$78.12	= \$2,920,228	37,380	x \$39.06	= \$1,459,937	(\$1,460,291)
2007	37,380	x \$78.12	= \$2,920,228	37,380	x \$39.06	= \$1,459,937	(\$1,460,291)

**HB 559** (2003 session) increases taxes on light vehicles and replaces the annual fee in lieu of tax on watercraft, snowmobiles, motorcycles and quadracycles (except those with specialty licenses plates), off-highway vehicles, travel trailers, and trailers with a one-time flat fee. The one-time flat fee assessed in tax year 2004 will generally, but not always, be higher than the annual fee it replaces; the one-time fee then doubles in calendar year 2005.

Beginning January 1, 2004, all vehicle types that are required to permanently register will pay the new one-time fee when registering in calendar year 2004: in subsequent years, the fee will only be paid on new vehicle registrations or upon transfer of ownership.

This bill also eliminates the registration fee and fee in lieu of tax for campers, motorized pontoons, and motorized rubber rafts.

In addition, HB 559 provides for a \$1.25 fee for the Highway Patrol Pension Trust Fund that replaces the permanent registration fee of \$2.00 for trailers, motorcycles, and quadracycles. This fee is currently recorded in the state accounting system (SABHRS) under general fund motor vehicle taxes and is included under that heading in Table 2. The funds are then transferred to the Highway Patrol pension fund per 15-1-122, MCA.

**SB 118** (2003 session) increases the fee for newly issued plates from \$2 to \$5 effective January 1, 2004. SB 118 also delays the issuance of new replacement plates for all vehicles that are required to have license plates from January 1, 2004 to January 1, 2006.

SB 118 impacts are affected by permanent registrations under HB 559. By requiring permanent registration for multiple vehicle types, HB 559 will reduce the number of vehicles being issued new plates when all registered vehicles are scheduled to receive new plates in FY 2006 and FY 2007. Permanently registered vehicles not issued replacement plates in FY 2006 or FY 2007 will receive replacement plates in future years when ownership of the vehicle is transferred. Approximately \$850,000 of new issue plate fees will be moved into future years due to permanent registration under HB 559.

**SB 336** (2003 session) assessed a new \$4.00 registration fee on all vehicles for state parks and fishing access sites, replacing day use fees for Montana residents. A registrant may opt-out of this fee if they certify that they do not use state parks or fishing access sites. Revenue from the new fee is projected to be \$1.2 million in FY 2004, and \$2.8 million in FY 2005 and beyond. This fee currently is deposited in a Department of Fish Wildlife and Parks (FWP) account on the state accounting system, SABHRS. Beginning in FY 2006, revenue from this fee will be deposited in the general fund, and then transferred to FWP via fund transfer in accordance with 15-1-122, MCA. Estimated revenue of \$2.8 million from this fee is included in the revenue estimate for FY 2006 and FY 2007. This fee is included under the fee heading in Table 2, explaining the increase in FY 2006.

**SB 401** (2003 session) provides for a new registration fee of \$0.50 on all vehicle types except for snowmobiles, off-highway vehicles, watercraft, trailers and semi-trailers registered in other jurisdictions and registered through a proportional registration agreement, and vehicles bearing ex-prisoner of war license plates. Revenue from the new registration fee is estimated at \$400,000 in FY 2004, \$620,000 in FY 2005, \$631,000 in FY 2006, and \$645,000 in FY 2007. This fee is currently recorded in SABHRS as a motor vehicle tax, and is included under that heading in Table 2.

Table 7 shows the major changes in taxes/fees. Table 7 is not a comprehensive list of changes, and only includes changes to taxes/fees that have a significant financial impact to the general fund.

<b>Table 7</b>				
<b>Major Changes in General Fund Vehicle Taxes/Fees</b>				
<b>(Dollars)</b>				
<b>Taxes/Fees</b>	<b>CY2003</b>	<b>CY2004</b>	<b>CY2005 +</b>	<b>Short Description</b>
Truck Flat	66.03*	55.43*	46.53*	HB247 - CY2006 fully implemented average is \$39.06
State Lien Title Fee	4.00	5.00	5.00	HB538
Light Title (New Junk Fee)	2.00	5.00	5.00	HB538 -Only on new light vehicles
Light Registration- Weight <2,850 lbs	13.75	13.75	17.00	HB559
Light Registration- Weight >2,850 lbs	18.75	18.75	22.00	HB559
Motorcycle Flat (now 1-time)	26.00*	20.00	40.00	HB559 - Permanent Reg. - from age & engine size to a flat fee
Highway Patrol Pension		1.25	1.25	HB559 - New in 2004 paid by motorcycles and trailers
Motorcycle Registration	9.75	9.75	11.25	HB559 - Permanent Registration
Trailers Flat <6,000 lbs	15.75*	25.00	50.00	HB559 - Permanent Registration - prior based on age & weight
Trailers Flat >6,000 lbs	15.75*	65.00	135.00	HB559 - Permanent Registration - prior based on age & weight
RV Registration	3.50	3.50	9.75	HB559 - Permanent Registration
Off Highway Flat	9 or 19	20.00	40.00	HB559 - Permanent Registration - prior based on age
Off Highway Registration	9.00	9.00	19.25	HB559 - Permanent Registration
Watercraft Flat up to 16 ft	24.25*	25.00	50.00	HB559 - Permanent Registration - prior based on age & length
Watercraft Flat 16 to 19 ft	24.25*	55.00	110.00	HB559 - Permanent Registration - prior based on age & length
Watercraft Flat over 19 ft	24.25*	140.00	280.00	HB559 - Permanent Registration - prior based on age & length
Boat ID Number	3.50	3.50	15.50	HB559 - Permanent Registration
Snowmobile Flat	15 or 22	20.00	40.00	HB559 - Permanent Registration - prior based on age
Snowmobile Registration	6.50	6.50	20.50	HB559 - Permanent Registration
New Plate Issue	2.00	5.00	5.00	SB118
FWP Park Fee (optional)		4.00	4.00	SB336 - New in 2004
Veterans Services		0.50	0.50	SB401 - New in 2004

\*Average tax or fee listed - tax or fee based on multiple criteria

### **UStep 3: Multiply the Number of Transaction by the Appropriate Tax/Fee Rate**

The estimated number of transactions for each tax/fee is multiplied by the updated tax/fee rates for each year. The model then adds the amount of revenue received from each of the 175 motor vehicle taxes/fees, and then identifies general fund revenue for each calendar year.

### **Step 4: Convert Calendar Year Revenue to Fiscal Year Revenue**

The model uses calendar year information from the Department of Justice motor vehicle database; and the law changes are calculated on a calendar year basis. Estimated calendar year revenue is split into fiscal years based on registration dates of motor vehicles recorded in the database, and revenue collections recorded in the state accounting system.

Generally, 60% of motor vehicle payments are received by the state in the second half of the fiscal year (January to June). A 40/60% apportionment is used to distribute most vehicle tax and fee collections; revenue received in a fiscal year is estimated as 40% of the prior calendar year's revenue and 60% of current calendar year's revenue. For instance, FY 2004 revenue is comprised of 40% calendar year 2003 revenue and 60% calendar year 2004 revenue.

However, some exceptions do exist and adjustments are made within the model. The following vehicle types are adjusted using a different ratio when moving from a calendar year to a fiscal year basis:

- Heavy Vehicles. Approximately 89% of heavy vehicle registrations and associated tax collections occur between January and June. A ratio of 11% prior calendar year to 89% current calendar year is used to estimate fiscal year revenue.
- Trailers, Travel Trailers, and Motor Homes. Approximately 70% of trailer, travel trailer, and motor home registrations and the associated tax collections occur between January and June. A ratio of 30% prior calendar year to 70% current calendar year is used to estimate fiscal year revenue.
- Boats, Snowmobiles, and Off-Highway Vehicles. Approximately 70% of boat, snowmobile, and off-highway registrations and the associated tax collections occur between January and June. A ratio of 30% prior calendar year to 70% current calendar year is used to estimate fiscal year revenue.

## Summary of Methodology - Example

Table 8 is a basic example of how each fee would be calculated. The example shows how the off-highway vehicle (OHV) registration fee is estimated.

1. A baseline number of transactions is projected using actual calendar 2003 counts of 30,080 and anticipated growth. Then the number of transactions is adjusted based on legislative changes. Beginning in calendar 2005, HB 559 requires permanent registration of OHVs. As Table 8 shows, this is estimated to decrease the number of transactions by one third in calendar 2005. The approximately 11,600 transactions represent new vehicle registrations and ownership transfers.
2. The tax/fee rate is updated due to legislative changes. Beginning in calendar 2005, HB 559 increases the OHV registration fee from \$9.00 to \$19.25.
3. The adjusted number of transactions is multiplied by the updated fee. For example, in calendar 2005, 11,599 is multiplied by \$19.25, yielding \$223,289.
4. Last, calendar year amounts are converted to fiscal years. Approximately 70% of off-highway registrations and the associated tax collections occur between January and June. A ratio of 30% prior calendar year to 70% current calendar year is used to estimate fiscal year revenue. With the example in Table 8, for FY 2004 the calculation is  $((\$270,720 \times 30\%) + (\$309,096 \times 70\%)) = \$297,583$ .

<b>Table 8</b>					
<b>Summary Calculation - Example</b>					
<b>Off-Highway Vehicle (OHV) Registration Fee</b>					
	<u>Calendar 2003</u>	<u>Calendar 2004</u>	<u>Calendar 2005</u>	<u>Calendar 2006</u>	<u>Calendar 2007</u>
<b>Step 1:</b> Baseline # of Transactions	30,080	34,344	36,960	40,132	43,469
<b>Step 1A:</b> Transactions Adjusted for Legislation	30,080	34,344	<b>11,599</b>	<b>11,672</b>	<b>11,749</b>
<b>Step 2:</b> Tax/Fee Adjusted Rate	<u>\$9.00</u>	<u>\$9.00</u>	<u><b>\$19.25</b></u>	<u><b>\$19.25</b></u>	<u><b>\$19.25</b></u>
<b>Step 3:</b> Multiply Transactions by Rate	<u>\$270,720</u>	<u>\$309,096</u>	<u>\$223,289</u>	<u>\$224,695</u>	<u>\$226,174</u>
		<u>Fiscal 2004</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
<b>Step 4:</b> Convert Revenue to Fiscal Year <sup>1</sup>		<u><b>\$297,583</b></u>	<u><b>\$249,031</b></u>	<u><b>\$224,273</b></u>	<u><b>\$225,730</b></u>

<sup>1</sup>(30% Prior Calendar Year and 70% Current Calendar Year)

## **General Fund Revenue**

General fund motor vehicle revenue is estimated at \$112.09 million in FY 2005, \$116.91 in FY 2006, and \$119.87 million in FY 2007.