

MOTOR VEHICLE TAXES AND FEES

Revenue Description

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

Historical and Projected Revenue

Table 1 shows actual general fund revenue from motor vehicle taxes and fees for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.

Table 1		
Motor Vehicle Revenue		
(\$ millions)		
Fiscal Year	General Fund	Percent Change
A 1996	14.606	2.58%
A 1997	15.588	6.73%
A 1998	10.778	-30.86%
A 1999	11.099	2.98%
A 2000	11.716	5.56%
A 2001	12.534	6.99%
A 2002	100.181	699.27%
A 2003	103.538	3.35%
A 2004	114.331	10.42%
A 2005	110.772	-3.11%
A 2006	113.292	2.28%
F 2007	116.739	3.04%
F 2008	117.469	0.62%
F 2009	120.267	2.38%

Motor Vehicle Revenue

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1996	14.606
1997	15.588
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2004	114.331
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2006	113.292
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2008	117.469
2009	120.267

Since FY 2002, most motor vehicle revenue has been deposited to the general fund. Fluctuations in revenue since FY 2002 are mostly the result of legislation, as explained in the next section. Motor vehicle revenue is anticipated to increase in FY 2007 for three primary reasons. First, revenue will increase as a result of the issuance of new license plates. Second, proration of taxes and fees has been eliminated, increasing revenue. Third, revenue will increase because registration fees are now required to be paid every time license plates are transferred. After adjusting for these impacts the revenue is expected to show moderate growth in FY 2008 and FY 2009.

Legislative Changes

Legislation has significantly affected motor vehicle taxes and fees. 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 since the 2001 Session.

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. Most fees retained by local governments and state agencies prior to FY 2002 are now deposited in the state general fund. This change in the distribution of vehicle fees explains the general fund increase of 699% in FY 2002.

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 559 (2003 Session) required the permanent registration of watercraft, snowmobiles, motorcycles and quadracycles (except those with specialty license plates), off-highway vehicles, travel trailers, and trailers. Since January 1, 2004, permanently registered vehicles under HB 559 only register and pay taxes and fees when the ownership transfers. HB 559 also increased taxes on light vehicles and replaced the annual fee in lieu of tax on watercraft, snowmobiles, motorcycles and quadracycles, off-highway vehicles, travel trailers, and trailers with a one-time flat fee. The one-time flat fee assessed on these vehicles in tax year 2004 was generally, but not always, higher than the annual fee it replaced; the one-time fee then doubled in calendar year 2005.

SB 118 (2003 Session) increased the fee for newly issued plates from \$2 to \$5 effective January 1, 2004. SB 118 also delayed the issuance of new replacement plates for all vehicles that are required to have license plates from January 1, 2004 to January 1, 2006. The issuance of replacement plates was estimated to increase general fund revenue by \$1.78 million in FY 2006 and \$1.65 million in FY 2007.

SB 401 (2003 Session) provided 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. The fee was subsequently combined with other universal fees in SB 285 (2005 Session) and is no longer a stand alone fee.

SB 285 (2005 Session) simplified and streamlined motor vehicle statutes by consolidating motor vehicle definitions into one area of law and combining universal fees into a single amount, reducing the absolute number of fees paid. Under this bill exempt vehicles no longer have to pay registration fees. This change results in a decrease in general fund revenue of \$750,000 per year.

HB 671 (2005 Session) also significantly revised and streamlined motor vehicle statutes. Beginning January 1, 2006, HB 671 changed the registration period for motor vehicles from being based on when the vehicle was first registered, to when ownership is transferred. The following changes made to statute by HB 671 have considerable impact on tax revenue generated from light motor vehicles:

- Changing the registration period eliminated back taxes, carry forward of taxes paid during the year, and prorating of taxes/fees. Eliminating back taxes is estimated to reduce general fund revenue by approximately \$500,000 per year. Changing the registration period, not allowing proration of fees or carry forward of taxes paid is anticipated to increase general fund revenue by approximately \$4.3 million per year. The net result is an increase of \$3.9 million.
- Eliminating the 60-day stickers, but allowing a 40-day grace period if the owner of a vehicle purchases a temporary registration permit. Revenue received from the temporary registration permits is not a general fund source of revenue, but instead is deposited to the vehicle electronic commerce enterprise account. This change is expected to decrease general fund revenue by approximately \$51,000 per year.
- Removing the registration exemption for vehicles that transfer plates from one vehicle to another is no longer allowed. Removing this exemption is expected to generate an additional \$1.12 million per year.

Forecast Methodology and Projection Calculation

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. Each vehicle will pay multiple fees and taxes, which depend on the vehicle type, along with other criteria. Each motor vehicle type will pay a different set of taxes/fees than another vehicle type. But in most cases each vehicle type will pay a tax or fee also paid by other vehicle types. For instance, 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, ownership, or use.

A revenue estimation model was developed for motor vehicle taxes and fees. Within this model, each of the motor vehicle taxes/fees that are deposited to the general fund are forecast individually and then summed for total general fund revenue. These are major steps in the model: 1) determine the number of transactions for each tax/fee; 2) multiply the number of transactions by the appropriate tax/fee rate; 3) convert calendar year revenue to revenue by fiscal year; 4) adjust estimate to actual receipts; and 5) add the estimate of the full impact of the 2005 Session motor vehicle legislation.

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

Transactions are the number of times each tax/fee is paid during the year. Some fees might be paid multiple times during the year on the same vehicle. For instance, under the provisions of HB 671 (2005 Session), all fees must be paid each time a vehicle has a change in ownership and a new registration is required. Therefore, if a vehicle changes hands three times during the year, registration fees would also be paid three times, yielding three transactions in the model.

First, a baseline number of transactions is determined for each fee by vehicle type. The baseline number is based on recent historical data for each respective fee code. Adjustments are made to the transaction counts if a fee code has changed or a new fee code has been established. Forecast growth or decline is then applied to estimate the number of future transactions for each fee by vehicle type. Growth is established for each tax/fee by vehicle type using a combination of (1) historical collections for each tax/fee, (2) historical transaction counts, and (3) actual historical vehicle counts.

Table 2 illustrates how growth is applied to the number of motorhome registrations. The baseline number of motorhome registrations is the calendar year 2005 registrations under that fee type. Except for those fee types which were affected by legislative changes, calendar year 2005 registrations are used as the baseline. The baseline number for fee types affected by legislation is adjusted to account for legislative changes before growth is applied. The growth rate for motorhome registrations is the average annual growth rate from January 2001 to June 2006.

Table 2			
Motorhome Registration Growth			
	Calendar Year	Motorhome Registrations	Annual Growth
A	2005	23,227	6.68% (5.5 yr. avg.)
F	2006	24,778	6.68%
F	2007	26,434	6.68%
F	2008	28,199	6.68%
F	2009	30,083	6.68%

Not all growth rates are calculated exactly the same. The growth of light vehicle registrations, which make up approximately 80% of motor vehicle revenue, is calculated using a more complex methodology due to the effects of recent legislation. Factors such as optional permanent registration and fee consolidation must be accounted for and adjusted accordingly when calculating light vehicle revenue growth.

Step 2: Multiply the Number of Transactions by the Appropriate Tax/Fee Rate

The legislature changed many of the tax/fee rates and which types of vehicles pay each tax/fee during the last two legislative sessions. The model accounts for each change in tax/fee in the appropriate calendar year.

There are 17 different vehicle types and approximately 42 tax/fee types which results in about 175 different motor vehicle taxes/fees. The spreadsheet used to forecast motor vehicle revenue lists every vehicle types under each of the tax/fee types. 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 general fund revenue received from each of the 175 motor vehicle taxes/fees for each calendar year.

Table 3 shows, by the SABHRS short description, the summary of the number of transactions multiplied by the appropriate CY 2005 tax/fee and the projected taxes/fees for CY 2006 through CY 2009. As shown in Table 3, there is a large increase in CY 2006 due to the IRP new plate fee. Also, the 2005 Session motor vehicle legislation changed the motor vehicle laws significantly; and, thus, the taxes/fees are allocated differently among the SABHRS categories for CY 2006 through CY 2009. Many taxes/fees were consolidated resulting in some SABHRS categories showing either large increases or decreases from CY 2005.

Table 3					
Calendar Year Data for Motor Vehicle Estimates by SABHRS Description					
SABHRS Short Description	CY 2005 Actual	CY 2006 Est.	CY 2007 Est.	CY 2008 Est.	CY 2009 Est.
Registration Fee	\$22,937,203	\$195,690	\$199,618	\$203,799	\$208,247
Recording Liens	\$678,546	\$676,381	\$676,381	\$676,381	\$676,381
Titles	\$2,486,195	\$536,046	\$543,244	\$550,679	\$558,361
Duplicate Titles, Reg & Plates	\$193,233	\$177,135	\$176,779	\$176,646	\$176,723
Personalized Plates	\$1,028,117	\$1,046,976	\$1,058,075	\$1,069,785	\$1,082,112
IRP New Plate Fee - \$2	\$1,101,793	\$4,549,812	\$1,115,837	\$1,130,769	\$1,146,556
Pioneer, Vintage & Ham	\$4,369	\$4,509	\$4,511	\$4,514	\$4,517
State Assigned Vin	\$6,888	\$34,629	\$35,340	\$36,074	\$36,833
Transit-One Trip Fee	\$35,854	\$51,756	\$52,316	\$52,885	\$53,465
60-Day Sticker	\$28	\$19	\$19	\$19	\$19
Large Truck & Semi-Trailers	\$5,056,995	\$5,808,808	\$5,919,304	\$6,034,087	\$6,153,331
Motor Home, Travel Trl & Campers	\$3,825,486	\$5,721,790	\$6,039,773	\$6,377,287	\$6,735,591
Lt. Veh, motorcycles, Quadricy	\$58,108,378	\$87,696,201	\$89,239,266	\$91,279,046	\$93,428,206
Boats/Snowmobiles, Off Highway	\$3,074,483	\$5,339,353	\$5,384,428	\$5,430,960	\$5,479,002
Collegiate Pl/App. & Mnfg. Fee	\$17,132	\$17,407	\$17,647	\$17,898	\$18,160
Permanent Registration Fee \$2	\$74,739	\$0	\$0	\$0	\$0
Lien Filing Inform. Tech Fee	\$678,406	\$0	\$0	\$0	\$0
OHV-Decals	\$280	\$1,325	\$1,325	\$1,325	\$1,325
Gen Specialty Plate Admin Fee	\$227,926	\$232,190	\$235,464	\$238,879	\$242,439
MCO Registration	\$8,452,996	\$0	\$0	\$0	\$0
Transportation Services	\$303,907	\$0	\$0	\$0	\$0
VA Cemetery License Plate Fees	\$554,405	\$0	\$0	\$0	\$0
Veterans License Plate Fees	\$190,665	\$192,943	\$194,894	\$196,943	\$199,093
Boat Registration - Enforcement	\$158,398	\$0	\$0	\$0	\$0
Snowmobile Registration	\$147,819	\$49	\$49	\$49	\$49
Auto Dealer Reg. New	NA	\$4,025	4,106	4,188	4,271
Auto Dealer Reg. Used	NA	\$18,640	19,013	19,393	19,781
Motorcycle Dealer Reg.	NA	\$3,900	3,978	4,058	4,139
Special Mobile Dealer Reg.	NA	\$11,695	11,929	12,167	12,411
Transfer Dealer Cert	NA	\$577	589	600	612
Additional Dealer Plates	NA	\$100,676	102,690	104,743	106,838
Dealer Application Fee	NA	\$7,660	7,813	7,969	8,129
Dealer 20-Day Stickers	NA	\$11,605	11,837	12,074	12,315
Transit Permit & Plates	NA	\$9,413	9,601	9,793	9,989
Title IT Account	NA	\$0	-	-	-
Total	\$109,344,240	\$112,451,208	\$111,065,823	\$113,653,010	\$116,378,895

Step 3: Convert Calendar Year Revenue to Fiscal Year Revenue

The model uses calendar year information from the Department of Justice motor vehicle database. Law changes are based on and 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 motor vehicle database and revenue collections recorded in the state accounting system.

Generally, 52% of motor vehicle payments are received by the state in the second half of the fiscal year. Most vehicle tax and fee collections are distributed to a fiscal year based on 48% of the prior calendar year's revenue and 52% of current calendar year's revenue. For instance, FY 2005 revenue is comprised of 48% calendar year 2004 revenue and 52% calendar year 2005 revenue.

However, exceptions do exist and corresponding adjustments are made within the model. For example, the following vehicle types are adjusted using a different ratio when converting from calendar year to fiscal year:

- Heavy Vehicles. Approximately 89% of heavy vehicle registrations and associated tax collections occur between January 1 and June 30. A ratio of 11% prior calendar year to 89% current calendar year is used to estimate fiscal year revenue.
- Large Trucks, Semi-Trailers, Travel Trailers, and Motor Homes. Approximately 65% of large truck, semi-trailers, travel trailer, and motor home registrations and the associated tax collections occur between the beginning of January and the end of June. A ratio of 35% prior calendar year to 65% current calendar year is used to estimate fiscal year revenue.

Table 4 shows the calendar year to fiscal year conversion by SABRHS codes short description.

Table 4
Conversion of Motor Vehicle Calendar Year Data to Fiscal Year Data

Prior CY%	Cur. CY%	Short Description	FY 2006	FY 2007	FY 2008	FY 2009
47.50%	52.50%	Registration Fee	\$ 10,997,909	\$ 197,752	\$ 201,813	\$ 206,134
46.00%	54.00%	Recording Liens	677,376	676,381	676,381	676,381
48.00%	52.00%	Titles	1,472,118	539,789	547,110	554,674
52.00%	48.00%	Duplicate Titles, Reg & Plates	185,506	176,964	176,715	176,683
48.00%	52.00%	Personalized Plates	1,037,924	1,052,748	1,064,164	1,076,195
49.00%	51.00%	IRP New Plate Fee - \$2*	2,860,283	2,798,485	1,123,452	1,138,820
50.00%	50.00%	Pioneer, Vintage & Ham	4,439	4,510	4,513	4,516
50.00%	50.00%	State Assigned Vin	20,758	34,984	35,707	36,453
90.00%	10.00%	Transit-One Trip Fee	37,444	51,812	52,373	52,943
		60-Day Sticker	-	-	-	-
68.00%	32.00%	Large Truck & Semi-Trailers	5,297,575	5,844,166	5,956,034	6,072,245
64.00%	36.00%	Motor Home, Tran Travel & Campers	4,508,156	5,836,264	6,161,278	6,506,276
49.00%	51.00%	Lt. Veh, motorcycles, Quadricy	73,641,985	88,483,164	90,279,554	92,375,117
51.50%	48.50%	Boats/Snowmobiles, Off Highway	4,172,945	5,361,214	5,406,996	5,454,260
49.00%	51.00%	Collegiate Pl/App. & Mnfg. Fee	17,272	17,529	17,775	18,032
49.00%	51.00%	Permanent Registration Fee \$2	36,622	-	-	-
		Lien Filing Inform. Tech Fee	-	-	-	-
50.00%	50.00%	OHV-Decals	803	1,325	1,325	1,325
48.00%	52.00%	Gen Specialty Plate Admin Fee	230,143	233,892	237,240	240,730
51.00%	49.00%	MCO Registration	4,311,028	-	-	-
50.50%	49.50%	Transportation Services	153,473	-	-	-
42.00%	0.00%	VA Cemetery License Plate Fees	232,850	-	-	-
48.00%	52.00%	Veterans License Plate Fees	191,849	193,957	195,959	198,061
		Boat Registration - Enforcement	67,319	-	-	-
51.50%	48.50%	Snowmobile Registration	76,151	49	49	49
50.00%	50.00%	Sample License Plates	\$1,105	1,127	1,149	1,172
50.00%	50.00%	Auto Dealer Reg. New	\$4,025	4,106	4,188	4,271
50.00%	50.00%	Auto Dealer Reg. Used	\$18,640	19,013	19,393	19,781
50.00%	50.00%	Motorcycle Dealer Reg.	\$3,900	3,978	4,058	4,139
50.00%	50.00%	Special Mobile Dealer Reg.	\$11,695	11,929	12,167	12,411
50.00%	50.00%	Transfer Dealer Cert	\$577	589	600	612
50.00%	50.00%	Additional Dealer Plates	\$100,676	102,690	104,743	106,838
50.00%	50.00%	Dealer Application Fee	\$7,660	7,813	7,969	8,129
50.00%	50.00%	Dealer 20-Day Stickers	\$11,605	11,837	12,074	12,315
50.00%	50.00%	Transit Permit & Plates	\$9,413	9,601	9,793	9,989
		Title IT Account	\$0	-	-	-
FY Motor Vehicle Revenue before Adjustments			<u>\$110,401,223</u>	<u>\$111,677,667</u>	<u>\$112,314,572</u>	<u>\$114,968,552</u>

*New Plates issue in CY 2006 affects revenue growth for FY 2006 through FY 2007

Step 4: Adjust Estimate to Actual Receipts

The motor vehicle data base does not include all receipts that occur in any given fiscal year. Table 5 shows that about 2.5% of the motor vehicle revenue recorded in SABHRS is not accounted for in the motor vehicle database.

Table 5
Comparison of SABHRS Revenue to Motor Vehicle Revenue Estimate

	FY 2003	FY 2004	FY 2005	FY 2006
SABHRS Revenue	<u>\$103,537,562</u>	<u>\$114,330,455</u>	<u>\$110,771,948</u>	<u>\$113,292,395</u>
Divide by Motor Vehicle Database Revenue	<u>\$100,717,238</u>	<u>\$112,719,412</u>	<u>\$108,045,376</u>	<u>\$110,401,223</u>
% SABHRS Revenue Exceeds Motor Vehicle Revenue	<u>2.72%</u>	<u>1.41%</u>	<u>2.46%</u>	<u>2.55%</u>

The motor vehicle revenue estimate is based on the motor vehicle database. Therefore, as shown in Table 6, the basic revenue estimate is increased by 2.5% to reflect actual revenue.

Table 6				
Adjusting Model Revenue to SABHRS Revenue				
	FY 2006	FY 2007	FY 2008	FY 2009
Motor Vehicle Database Revenue Estimate	\$110,401,223	\$ 111,677,667	\$112,314,572	\$114,968,552
Times % SABHRS Revenue Exceed Database	X 1.025	X 1.025	X 1.025	X 1.025
% SABHRS exceeds Motor Vehicle Database	\$113,161,253	\$114,469,609	\$115,122,437	\$117,842,766

Step 5: Adjust Revenue Estimate for the Full Impact of 2005 Motor Vehicle Legislation

Most of the motor vehicle legislation passed during the 2005 Session was effective for calendar year 2006 and, thus, impacted only the second half of FY 2006. The revenue estimate must be adjusted to reflect a full year's impact from the 2005 Session legislation. These adjustments are shown in Table 7.

Table 7				
2005 Session Motor Vehicle Legislation - Adjustments for Full Year Impact				
Legislation Change	FY 2006	FY 2007	FY 2008	FY 2009
Change Assessment Date to when vehicle changes hands.				
Now Must Pay Full Year Taxes When Registered 1st time	\$1,600,743	\$3,167,496	\$3,199,729	\$3,232,290
Transfer of Plates - Now Must Pay Full Registration	559,396	1,132,321	1,168,933	1,206,730
Eliminating Prorating of fees	535,500	1,057,840	1,065,739	1,073,696
Fleet Vehicle Additional \$19.00 to General Fund	17,100	17,100	17,100	17,100
Remove 60-day Stickers	(25,908)	(50,800)	(50,800)	(50,800)
Exempt Vehicles No Longer Pay Registration Fee	(382,500)	(750,000)	(750,000)	(750,000)
2005 Session Legislation Impacts	\$2,304,331	\$4,573,957	\$4,650,701	\$4,729,016
Less amount in FY 2006 BASE (absorbed in model)	(\$2,304,331)	(\$2,304,331)	(\$2,304,331)	(\$2,304,331)
Legislation Impact not in FY 2006 BASE	(\$0)	\$2,269,626	\$2,346,370	\$2,424,686

Step 6: Calculate General Fund Revenue

Table 8 shows the total general fund revenue estimate for FY 2007 through FY 2009, which is estimated to be \$116.739 million in FY 2007, \$117.469 million in FY 2008, and \$120.267 million in FY 2009.

Table 8			
Motor Vehicle General Fund Revenue Estimate			
Components of Estimate	FY 2007	FY 2008	FY 2009
Base Motor Vehicle Revenue Estimate	\$114,469,609	\$115,122,437	\$117,842,766
Add: 2005 Session Legislation Adjustments	\$2,269,626	\$2,346,370	\$2,424,686
Motor Vehicle General Fund Revenue	\$116,739,235	\$117,468,807	\$120,267,452