

Legislative Analysis



TWO-YEAR VEHICLE REGISTRATIONS

Phone: (517) 373-8080
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House Bill 5204 (proposed substitute H-2)
Sponsor: Rep. Steven Johnson

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5205 (proposed substitute H-1)
Sponsor: Rep. Gary R. Eisen

Committee: Transportation
Complete to 9-9-20

SUMMARY:

House Bills 5204 and 5205 would amend the Michigan Vehicle Code to allow certain vehicle owners to request a two-year (instead of one-year) vehicle registration and to proportionally adjust certain taxes and fees.

House Bill 5204 would allow a vehicle registration issued by the secretary of state for a vehicle owned by an individual to expire two years after the owner's birthday upon the request of the owner.

Currently, a vehicle registration is issued annually and expires on the owner's birthday, except when another expiration date is provided for under circumstances specified in the code.

The registration tax paid by an individual who requested and was issued a two-year registration would be proportionally adjusted.

MCL 257.226

House Bill 5205 would revise the fee paid for the recreation passport that allows vehicular entry to state parks, recreation areas, and boat launches.

The code currently provides that an annual recreation passport fee for a Michigan motor vehicle owner is \$10 when paid with an application for the issuance or renewal of a registration.

Under the bill, the fee for a two-year recreation passport for a Michigan vehicle owner with a two-year vehicle registration would be \$20 when paid with a new or renewal registration application.

MCL 257.805

The bills would take effect October 1, 2021.

The bills are tie-barred to one another, which means that neither could take effect unless both were enacted.

FISCAL IMPACT:

House Bill 5204 would result in a potentially significant decrease in fee revenue to the Department of State (DOS) and the Department of State Police (MSP). The actual amount of the decrease would depend on the number of drivers who opt for a two-year registration.

With each new vehicle registration or renewal transaction, there is an \$8 service fee as authorized by section 801(3)(a) and (b) of the Michigan Vehicle Code. Revenue from this fee is distributed to both DOS and MSP. DOS receives \$5.75 of each fee, and MSP receives \$2.25. While the bill would prorate the registration tax for the extended registration period, it would not authorize a fee increase to cover the loss of the second-year registration transaction. Although DOS would experience cost savings through a reduced demand in administrative services, the fee amount does not directly correspond to DOS’s service cost. It is not known how the fee amount compares exactly to DOS’s administrative costs, but fees are often greater than the direct cost of the service in order to support other services that are not authorized a revenue source for compensation.

In FY 2017-18, DOS received nearly \$45.0 million in revenue from registration transaction fees and MSP received approximately \$17.6 million. The table below presents four revenue scenarios based on the percentage of registered drivers who opt to register for two years of all registered vehicles. Revenue figures show the estimated fiscal impact in the second year of two-year registrations being made available. Calculations are based on total registration transactions and revenue collected in FY 2018-19. Any reduction in revenue presumably would be distributed evenly across each year the longer the option is available, but for purposes of estimating the total impact for this analysis, the table assumes all two-year registrations will occur in the first year. Vehicle registrations remain fairly constant from year to year, with a consistent gradual increase in number.

Estimates of Second-Year Revenue Reductions Based on Percentage of Drivers Opting for Two-Year Vehicle Registrations

<u>2-Year Reg. of</u>	<u>Transactions</u>	<u>Total Revenue</u>	<u>DOS Revenue</u>	<u>MSP Revenue</u>
<u>All Reg. %</u>		<u>Reduction</u>	<u>Reduction</u>	<u>Reduction</u>
2.5%	197,863	\$1,582,900	\$1,137,700	\$445,200
5%	395,727	\$3,165,800	\$2,275,400	\$890,400
10%	791,454	\$6,331,600	\$4,550,900	\$1,780,800
20%	1,582,908	\$12,663,300	\$9,101,700	\$3,561,500

Registration fee revenue is deposited into the Transportation Administration Collection Fund (TACF), which supports DOS, and the Traffic Law Enforcement and Safety Fund (TLESF), which supports MSP. TACF is DOS’s primary state restricted fund source used to support Secretary of State operations and administration of vehicle licensing and registration. TLESF funds are used to enhance enforcement of traffic laws and the ability to provide safety on streets and highways.

Additionally, the bill may marginally increase vehicle registration revenues, which are deposited into the Michigan Transportation Fund (MTF). Section 801i of the Michigan Vehicle Code permits the Secretary of State to issue a vehicle registration for more than one 12-month period and requires that the registration tax be prorated for that period according to the taxes

and expiration dates provided for in the code. The MTF is the collection and distribution fund for dedicated state transportation revenue, primarily from motor fuel taxes and vehicle registration taxes. Section 10 of 1951 PA 51 governs the distribution of MTF revenue; the section directs MTF revenue to the State Trunkline Fund, to other state transportation funds and programs, and to local road agencies (county road commissions, cities, and villages).

Section 801, which provides the guidelines for registration tax fees, requires a registration fee to be reduced to 90% of the original vehicle registration fee for each of the first three registration renewals. It specifies that these reductions must occur at the second, third, and fourth sequential registration, and not by years. Depending on how the second year of a two-year registration is prorated, the bill could potentially increase MTF revenues. If the second year of a two-year registration is charged the same rate as the first, an increase in revenue would be realized by delaying the mentioned 10% fee reductions until after each two-year registration (over the first three renewals, or five years). For the registration of a new \$25,000 vehicle, this would result in an additional \$80.55 collected over the first six years a vehicle is registered. This increase would result only from owners who register a new vehicle and who repeatedly opt for the two-year registration. If it is determined that the second year can be prorated with the 10% reduction included, the bill would have no impact on the MTF.

The potential increase is indeterminate because there are no data with which to predict how many drivers would opt for the two-year registration and to how many registrations the 10% reductions would apply. There were nearly 8.2 million passenger vehicle registrations in FY 2018-19. DOS reports that two-year registrations were implemented in the early 1980s but were not popular with customers, suggesting the percentage of two-year registrations would be relatively low.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.