

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** CS/CS/HB 275

Motor Vehicle, Mobile Home, and Vessel Registration

**SPONSOR(S):** Davis

**TIED BILLS:**

**IDEN./SIM. BILLS:** SB 442

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REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Committee on Infrastructure</u>	<u>8 Y, 0 N</u>	<u>Creamer</u>	<u>Miller</u>
2) <u>Economic Expansion &amp; Infrastructure Council</u>	<u>12 Y, 0 N, As CS</u>	<u>Creamer</u>	<u>Tinker</u>
3) <u>Policy &amp; Budget Council</u>	<u>30 Y, 0 N, As CS</u>	<u>Martin</u>	<u>Hansen</u>
4) _____	_____	_____	_____
5) _____	_____	_____	_____

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### SUMMARY ANALYSIS

CS/CS/HB 275 contains a number of changes in the law related to motor vehicle, mobile home, and vessel registration. The bill:

- Redefines the term “registration” period to include a 24-month period and defines “extended registration periods” as a period of 24 months during which a motor vehicle or mobile home registration is valid;
- Authorizes an optional biennial renewal of motor vehicle, mobile home and vessel registrations upon payment of double the annual amount of license tax and add-on charges;
- Clarifies that vehicles registered to persons in violation of s. 316.193, F.S., driving under the influence or s. 322.26(2), F.S., mandatory revocation of license by department, are not eligible for the extended registration period;
- Extends the time period from five to six years and increases the fee from \$10 to \$12 for replacement of registration license plates;
- Extends the period of validity for license plates and validation stickers to provide for the 24-month extended registration period;
- Clarifies that advance registration renewals on extended registrations may occur up to three months prior to the date of expiration of the registration;
- Clarifies that the registration period for a motor vehicle or a mobile home may not exceed 27 months; and
- Provides for disposition of biennial registration revenues.

Implementation of this bill will most likely result in a non-recurring revenue increase in the first year of the two year cycle and a corresponding decrease in revenues the second year. This is based on an assumption that 50 percent of registrants will elect to use the biennial registration. This 50 percent assumption is not based on empirical data, but is used to show the potential fiscal impacts of the bill.

Since the number of persons choosing a two year registration period is unknown the bill’s impact to state and local revenues is indeterminate. However, the fiscal impact of HB 275 is expected to be revenue neutral in net long-term effects.

The bill is effective January 1, 2008.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

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**DATE:** 3/20/2007

## FULL ANALYSIS

### I. SUBSTANTIVE ANALYSIS

#### A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government - The bill gives registrants the option of an extended registration period for motor vehicles, mobile homes, and vessels. The bill also allows payment for such registrations every two years. The optional registration period would reduce the citizens' burden of renewing registrations annually.

#### B. EFFECT OF PROPOSED CHANGES:

##### **Extended Registration Period**

Currently the valid registration period for motor vehicles and mobile homes is 12 months. HB 275 defines an "extended registration period" as a period of 24 months during which a motor vehicle or motor home registration is valid. The bill also adds this 24-month period to the definition of "registration period."

##### **Biennial Registration and Renewals**

Currently the law provides for a 12-month annual registration of vehicles and mobile homes. The registration period is tied to either the owner's birth month, the calendar year, or in some cases, to a 12-month period set by the Department of Highway Safety and Motor Vehicles (DHSMV).

HB 275 amends the registration and renewal periods to provide that the registration of vehicles described below are eligible for the extended 24-month registration period and may be renewed biennially:

- Motorcycles
- Mopeds
- Automobiles for private use
- Trucks with a net weight of less than 5,000 pounds
- Heavy trucks with a gross vehicle weight of 5,001 pounds or more, but less than 8,000 pounds
- Motor vehicles for hire
- Trailers for private use
- Trailers for hire
- Park trailers
- Travel trailers
- 35 to 40 foot fifth wheel trailers
- Mobile homes

The bill requires payment of the cumulative sum of license taxes, service charges, surcharges, and additional fees on registrations that would normally be paid for two 12-month registrations. The optional registration period would reduce the citizens' burden of renewing registrations annually and reduce vehicle registration renewal workload.

##### **License Plates and Validation Stickers**

Under current law, license plates are issued for a five-year period, and replaced upon renewal of the registration at the end of the five-year period. Upon payment of the proper license tax and fees, the registration is issued for 12 months with expiration based on the applicant's appropriate registration

period, and a validation decal is attached to the license plate which is valid for not more than 12 months.

HB 275 provides a six-year license plate issuance period, with the current \$2 per year fee to be credited towards the next \$12 replacement fee. The expiration of the license plate is based on the applicant's appropriate registration period. The bill also provides that license plates equipped with validation stickers are subject to the extended 24-month registration period. Further, the bill provides that for each extended registration period until the license plate is replaced, a validation sticker showing the year of expiration is to be issued and is valid for not more than 24 months.

### **Advanced Registration**

Current law provides for advance registration renewals at any time during the three months preceding the date of expiration of the registration period, but a registration period may not exceed 15 months. HB 275 provides that an advance registration renewal period may not exceed 27 months.

### **Disposition of Biennial License Tax Moneys**

Current law provides for annual distribution of license tax moneys. This bill creates s. 320.203, F.S., to retain 50 percent of the biennial registration revenues in the Motor Vehicle License Clearing Trust Fund until the subsequent fiscal year. This revenue distribution smoothing will ensure that revenue collected for 50 percent of the optional 2-year registration is distributed in the same manner and in the same amounts as revenues currently collected for annual vehicle registrations. This new section also provides authorization for the tax collectors to escrow an amount from the service charges or fees collected on biennial registrations necessary to annualize the revenues collected over two years in order to provide them with the same smoothing of revenues.

### **Vessel Registration Renewal**

Current law provides that a vessel's annual registration renewal period is 30 days from the first day of the birth month of the owner and ends the last day of the month immediately preceding the owner's birth month in the succeeding year. The bill provides that any vessel owner subject to registration under s. 328.72(12), F.S., is eligible for an extended registration period of 24 months.

## **B. SECTION DIRECTORY:**

Section 1. Amends s. 320.01, F.S., to define extended registration period and redefine registration period.

Section 2. Amends s. 320.055, F.S., to establish extended registration and renewal periods for motor vehicles and mobile homes and clarifies vehicles eligible for the extended registration period.

Section 3. Amends s. 320.06, F.S., to extend the time period and increase the fee for replacement of registration license plates, and to extend the period of validity for license plates and validation stickers to provide for extended registration.

Section 4. Amends s. 320.07, F.S., to authorize the biennial renewal of motor vehicle and mobile home registrations and to require payment of double the amount of license tax, service charge and surcharge on annual registrations and clarifies semiannual registrations.

Section 5. Amends s. 320.071, F.S., to clarify that the registration period for a motor vehicle or mobile home may not exceed 27 months.

Section 6. Creates s. 320.203, F.S., to ensure that revenue collected for the optional 2-year registration is distributed in the same manner and in the same amounts as revenues currently collected for annual vehicle registrations.

Section 7. Amends s. 328.72, F.S., to provide an extended registration period for vessel owners.

Section 8. Provides an effective date of January 1, 2008.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

### A. FISCAL IMPACT ON STATE GOVERNMENT:

#### 1. Revenues:

The fiscal impact of the bill is indeterminate. Assuming that 50 percent of all vehicle, mobile home and vessel registrants elect to use a biennial registration, the positive revenue impact for the first year (2<sup>nd</sup> six months of the fiscal year) would be a non-recurring revenue increase to the State Transportation Trust Fund (STTF), the General Revenue Fund (GR) and other state trust funds totaling \$99,812,132. There would be a corresponding decrease in revenues the second year. This 50 percent assumption is not based on empirical data, but is used to show the potential fiscal impacts of the bill.

Assuming an estimated 3,149,991 new vehicles register for the first time in fiscal year 2007-2008, the initial license plate fee increase from \$10 to \$12 will generate an annual revenue increase up to \$6,229,982. Based on the implementation date of January 1, 2008 and the estimate of new vehicle registrations, the 6 month revenue increase may be as much as \$3,149,991.

In addition, a temporary influx in revenue would occur as a result of modifying the current license replacement cycle from five years to six years. Registrants currently on the five year replacement cycle would be required to pay an additional \$2 fee at the time of license replacement. For the first and sixth year, revenues would increase by only \$3,524,609, due to mid- year implementation. For the second through the fifth fiscal year, advanced replacement revenues would increase \$7,049,218 per year. Beginning in fiscal year 2013-2014 no additional advanced replacement revenue will be generated, as all registrants will be converted to the six year replacement.

Long term the state revenue may be increased more due to those persons purchasing biennial registrations who do not stay in the state for the second year, thereby paying more to the state than if they had purchased an annual registration and then moved out of state.

#### 2. Expenditures:

According to the DHSMV, this bill will require contracted programming modifications to the Motor Vehicle License Software System. The cost of these modifications will be absorbed within existing resources.

### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

#### 1. Revenues:

The fiscal impact to local governments is indeterminate. Assuming that 50 percent of all vehicle, mobile home and vessel registrants elect to use a biennial registration, the positive revenue impact for the first year (2<sup>nd</sup> six months of the fiscal year) would be a non-recurring revenue increase to Local Governments of \$9,599,706 from tax collector's fees and service charges. There would be a corresponding decrease in revenues the second year. This 50 percent assumption is not based on empirical data, but is used to show the potential fiscal impacts of the bill.

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Persons opting to use an extended registration period would have to pay double the current license tax, service charges and add-on fees for an annual registration. Also, registrants conducting an initial registration transaction would pay \$12 instead of \$10 for a license plate that is replaced every six years rather than every five years.

Under current law, refunds are not given when a person moves out of Florida prior to the expiration of their registration. Consistent with the current registration process, the bill does not provide for a refund of license taxes paid for an extended registration period. Therefore, a person who chooses to pay for a 24-month registration and then moves out of Florida prior to the expiration of that registration would not receive a refund for any portion of the taxes and fees paid.

D. FISCAL COMMENTS:

Since the number of persons choosing a two-year registration period is unknown, the bill's impact to state revenue is indeterminate. However, the fiscal impact of HB 275 is expected to be revenue neutral in long range effects.

### III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to require cities or counties to spend funds or take actions requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None

B. RULE-MAKING AUTHORITY:

The DHSMV appears to have sufficient rulemaking authority pursuant to s. 120.536(1), F.S., and s. 120.54, F.S., to implement the provisions of this bill.

C. DRAFTING ISSUES OR OTHER COMMENTS:

1. Drafting:

None

2. Other:

The DHSMV has stated that it is not possible to gauge if there are any significant savings related to the department's cost to purchase license plates every six years rather than every five years. Theoretically, there should be a cost reduction of 1/6<sup>th</sup> over the extended replacement period. However, fewer people are actually waiting five years to replace their plate. Many people will decide

they want to switch to a different specialty plate or a different personalized plate prior to the end of the required replacement period. Also, due to the fact there are more and more cars on the road, the DHSMV will have to purchase more and more plates. By the fifth year, growth in the number of cars on the road and any price increases that may come from the vendors between now and then will erode any potential savings. The DHSMV currently has a contract for aluminum license plate material for two years, but after that the contracted price for aluminum will have to be renegotiated; the new contract will be negotiated in the middle of the transition period from the five-year cycle to the six-year cycle.

#### D. STATEMENT OF THE SPONSOR

No statement submitted.

### IV. AMENDMENTS/COUNCIL SUBSTITUTE CHANGES

On February 8, 2007, this bill was considered by the Committee on Infrastructure. An amendment was adopted which clarified that holders of specialty license plates and personalized license plates are eligible for extended registration. The bill was reported favorably with an amendment.

On February 22, 2007, an amendment was adopted in the Economic Expansion and Infrastructure Council. The amendment ensures that revenue collected for the optional 2-year registration is distributed in the same manner and in the same amounts as revenues currently collected for annual vehicle registrations. The bill was adopted as a committee substitute.

On March 16, 2007, the Policy and Budget Council adopted an amendment to the bill that provided authorization for the tax collectors to escrow an amount from the service charges or fees collected on biennial registrations necessary to annualize the revenues collected over two years. The bill was adopted as a council substitute.

The staff analysis has been updated to incorporate the amendments described above.