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FISCAL IMPACT REPORT

ORIGINAL DATE 1/22/2019
SPONSOR Sarinana **LAST UPDATED** 1/25/2019 **HB** 232

SHORT TITLE Refund of Vehicle Registration Fees **SB** _____

ANALYST Blair

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY20	FY21	FY22		
(\$3,000.0) to (\$6,000.0)	(\$3,000.0) to (\$6,000.0)	(\$3,000.0) to (\$6,000.0)	Recurring	State Road Fund
(\$1,000.0) to (\$2,000.0)	(\$1,000.0) to (\$2,000.0)	(\$1,000.0) to (\$2,000.0)	Recurring	County and Municipal Road Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	100.0	\$250.0- \$500.0	\$250.0- \$500.0	\$600.0 - \$1,100.0	Recurring	Motor Vehicle

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Response Received

Department of Transportation

Reponses Not Received

Department of Finance and Administration (DFA)

Taxation and Revenue Department (TRD – MVD)

SUMMARY

Synopsis of Bill

House Bill 232 amends Section 66-3-19 NMSA 1978 by adding a new provision to the Motor Vehicle Code that would allow a vehicle owner, who requests revocation of a vehicle registration

and returns the license plate for that vehicle, to receive a refund of the registration fee for the time remaining on the registration prorated on quarterly increments.

FISCAL IMPLICATIONS

National data indicate that vehicle owners tend to keep a vehicle for about 6 years on average, with newer vehicles kept slightly longer, and used vehicles kept for a slightly shorter period. A review of the New Mexico motor vehicle data base indicates that the average age of a vehicle title is about 5 years, but there are some questions regarding vehicle title data, so the fiscal impact made use of the national 6 years average.

New Mexico active vehicle registration counts include: 1,669 thousand private passenger vehicles and light trucks, 60 thousand motorcycles, 2.3 thousand private buses, 65.6 thousand trucks with weight in excess of 10,000 lbs, and 365 thousand trailers with many trailers holding a permanent registration. Vehicle registration revenue amounts to about \$98,500 thousand per year. Assuming vehicles are traded on average every 6 years, and on average a refund would amount to 6 months (two quarters) of registration fees, and further assume that half of owners would not request the refund for whatever reason, the fiscal impact amounts to:

$\$98,500 / 6 \text{ years} / 2 \text{ quarters} = \$8,200 \text{ thousand maximum potential};$

$\$98,500 / 6 \text{ years} / 2 \text{ quarters} * 50\% \text{ requests} = \$4,100 \text{ thousand minimal potential}.$

In addition, a recent DOT analysis of vehicle registration fees for specific vehicle types and weight classes applied to vehicle counts, yielded a result that indicates there is probably a considerable overlap of unrefunded registration fees associated with registration of replacement vehicles each year. While not specifically quantified in the analysis, it seems probable that unrefunded registration fees amount to some millions of dollars each year.

The fiscal impact assumes that the second year of a two-year registration is already being credited to the vehicle owner under current law.

There will also be additional costs to the MVD to administer the refund program and to process refunds. One-time costs include modifications to the agency's primary information management system (estimate \$100.0). Since the MVD does not maintain cash in its field offices, refund checks or refunds to debit and credit cards would have to be processed. There would be new costs associated with each of these refund methods. Costs include additional labor requirements as well as other operating costs such as postage, printing, and credit card fees. Assuming the costs for processing the refund would range from \$5-\$10 per transaction, the additional cost to provide refunds would be in the \$250 thousand to \$500 thousand range.

SIGNIFICANT ISSUES

Section 66-3-20.1 NMSA 1978 provides for an extended period of registration for two years, and also provides in Subsection C that *"If the owner of a vehicle that is registered for two years sells, transfers or assigns title to or interest in the vehicle within the first year of registration and applies to have the registration number assigned to another vehicle pursuant to Section 66-3-101 NMSA 1978, upon assignment, the person may apply for a refund of one-half of the two-year registration fee."* MVD staff report the current procedure for administration of this provision is to allow a credit against the registration fee on a replacement vehicle of the same vehicle class.

Alternatively, the Motor Vehicle code does not currently provide for a refund of unused portions of a one-year registration.

The proposed refund for registration fees applies to registration fees only, and would not apply to the additional fees charged for special design registration plates.

Many vehicle owners purchase special vanity or theme or organization-based license plates for an additional fee. It is unclear whether the refund would apply to these plates. In the case of plates specially prepared for a specific group of persons (E.g. disabled vets), part of the additional fee is passed onto other state or non-profit entities. It is unlikely that MVD would be able to claw back refunds from these organizations and would, therefore, bear the full cost of the refund.

The bill does not include an Effective Date provision. An effective date should be specified for the new refund provisions of the bill.

The bill does not specifically address treatment of a refund request on a permanently registered trailer or bus. Presumably, no refund should be allowed against a permanent registration.

ADMINISTRATIVE IMPLICATIONS

As noted above, the administrative costs for the MVD to administer this refund program could be substantial.

RB/sb