Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4117 (Substitute S-1 as reported)
House Bill 4026 (Substitute S-1 as reported)
Sponsor: Representative Steven Johnson (H.B. 4117)
Representative Gary Eisen (H.B. 4026)
House Committee: Transportation
Senate Committee: Transportation and Infrastructure

CONTENT

House Bill 4117 (S-1) would amend the Michigan Vehicle Code to allow a vehicle registration issued by the Secretary of State (SOS) to expire two years after the owner's birthday if requested by the owner of the vehicle.

House Bill 4026 (S-1) would amend the Michigan Vehicle Code to specify that the amount of the recreation passport fee for an individual who obtained a two-year vehicle registration as proposed in House Bill 4117 (S-1) would be $20.

(Under the Code, the State Treasurer is required to adjust the recreation passport fees by the cumulative percentage change in the Consumer Price Index from October 1, 2010, to the October 1 immediately preceding the calendar year, rounded to the nearest dollar. Currently, the fee for a motorcycle is $6; for a motor vehicle, it is $12. Under the bill, the $20 fee also would be subject to this adjustment.)

The bills are tie-barred to each other and to Senate Bill 220, which would amend the Michigan Vehicle Code to require the SOS to provide a system for applicants for special vehicle registrations (i.e., for vehicles used exclusively in connection with a wood harvesting operation, milk hauling operation, or certain farming operations) to renew their special registration at no additional charge in a branch office, by first-class mail, and online. The bills would take effect October 1, 2022.

MCL 257.226 (H.B. 4117)
257.805 (H.B. 4026)

Legislative Analyst: Tyler VanHuyse

FISCAL IMPACT

House Bill 4117 (S-1) would have a significant fiscal impact on the Department of State and Michigan State Police (MSP) by reducing revenue collections that are used to fund each department and the services they provide. The amount of revenue loss would depend on the actual number of vehicle owners who opted for a two-year registration instead of the current one-year registration.

Currently, the Department of State collects a registration service fee of $8 per registration or registration renewal. Based on fiscal year (FY) 2019-20 Department data, there were 8,503,500 registration transactions for which the $8 fee was collected for an estimated total receipt of $68.0 million. According to the Michigan Vehicle Code, $5.75 of the $8 fee is credited to the Transportation Administration Collection Fund (TACF) and the remaining $2.25 is credited to the Traffic Law Enforcement and Safety Fund (TLESF). This fee is collected for each new vehicle registered in Michigan and for each year a vehicle's registration is renewed.

There is no provision in the bill to replace the revenue lost in the second year for each two-year registration.

In FY 2019-20, an estimated $48.9 million was deposited into the TACF (the major source of restricted funding for the Department) while the remaining $19.1 million was deposited into the TLESF (a restricted source of funding for the MSP). Assuming 10% of vehicle owners opted for a two-year registration, the bill would result in a loss of an estimated 850,400 vehicle registration fees for a total loss in revenue collections of approximately $6.8 million: a $4.9 million reduction for the Department of State and a $1.9 million reduction for the MSP. Actual revenue loss would depend on the actual number of vehicle owners who opted for a two-year registration.

Additionally, the Department of State would incur information technology programming costs for upgrades that would be required for the Department's multiple systems to accommodate the two-year registrations. This cost would be significant and, coupled with the anticipated loss in vehicle registration service fees, would require additional appropriations.

The bill would have an indeterminate fiscal impact on the Michigan Transportation Fund (MTF), from which appropriations are made to the Department of Transportation and local units of government. The impact largely would depend on how the Secretary of State (SOS) interpreted a registration that "expires 2 years after the owner's birthday". The current registration renewal rates, listed under Section 801 of the Michigan Vehicle Code, are based upon registration periods of 12 months. Section 801i of the Code allows the SOS to prorate the registration tax for registrations of more than one registration period; however, the bill's language does not refer to a "registration period" of 12 months. It, instead, refers to a single registration that "expires 2 years after the owner's birthday".

Section 801 of the Code taxes registration renewals at 90% of the previous year's registration fee. This means the cost to renew a vehicle registration each year is 10% less than the previous year's fee. Under the bill's language and existing statute, it is not clear if this 10% fee reduction would continue to occur annually, or if, for those who chose to renew every two years, the 10% reduction would occur every other year.

If the SOS interpreted a registration that "expires 2 years after the owner's birthday" as covering two, 12-month registration periods, there likely would be no fiscal impact on the MTF, other than variable revenue shifts that could occur annually if vehicle owners chose to renew for two years in large numbers once the bill were enacted. If, instead, the 10% fee reduction occurred every two years, the MTF could see an increase in revenue from fewer fee reductions that are triggered by registration renewals. The increase would depend upon the number of vehicle owners who chose to renew every two years instead of annually.

The MTF collects revenue from gas taxes and registration fees, which then is divided (under Section 10 of Public Act 51 of 1951) into shares for the Department of Transportation, County Road Commissions, Cities and Villages, and a 10% share for the Comprehensive Transportation Fund, from which appropriations are made for transit agencies and rail programs. All of these entities and industries are affected by revenue shifts to or from the MTF.

House Bill 4026 (S-1) would have no fiscal impact on State or local government.

Date Completed: 6-1-21

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