



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0824 - Revise registration fee on certain high-value vehicles and watercraft (Barker, Brad )

**Status:** As Introduced

- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$33,532	\$69,320	\$69,833	\$70,140
State Special Revenue	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$432,760	\$918,150	\$924,942	\$929,009
State Special Revenue	\$14,631,775	\$31,846,796	\$34,167,114	\$37,150,886
<b>Net Impact-General Fund Balance:</b>	<u>\$399,228</u>	<u>\$848,830</u>	<u>\$855,109</u>	<u>\$858,869</u>

**Description of fiscal impact:** HB 824 increases the special registration fee charged to certain high-value light vehicles and motorhomes and subjects high-value boats to the revised fee as well. The fee is changed from a static flat fee to an amount equal to 1% of the manufacturer's suggested retail price (MSRP). All revenue raised from the luxury vehicle fee charged on light vehicles and motorhomes is deposited in the motor vehicle division administration account in the state special revenue fund. Luxury vehicle fee revenue from boat registrations is deposited in the general fund. The provisions of HB 824 result in a significant increase in state special revenue.

### FISCAL ANALYSIS

**Assumptions:**

- Currently, 61-3-321(2)(b), MCA, provides for an annual \$825 supplementary fee charged to all light vehicles that have an MSRP above \$150,000 and that are less than 11 years old.
- HB 824 changes the \$825 flat fee to an amount equal to 1% of the vehicle's MSRP.
- There were 5,280 high-value light vehicles that paid the luxury fee in FY 2022.
- Based on analysis of Motor Vehicle Division (MVD) data, high-value light vehicle registrations are projected to rise steadily throughout the FY 2024 – FY 2027 estimation period. By FY 2027, annual high-value light vehicle registrations are forecast to total 7,700 with an associated average MSRP of \$344,299.

5. For motorhomes, 61-3-321(2)(b), MCA, provides for an annual \$800 supplementary fee charged to all vehicles that have an MSRP above \$300,000 and that are less than 11 years old.
6. HB 824 changes the \$800 flat fee to an amount equal to 1% of the motorhome’s MSRP.
7. There were 3,556 high-value motorhomes that paid the luxury fee in FY 2022.
8. Based on analysis of MVD data, high-value motorhome registrations are projected to rise steadily throughout the FY 2024 – FY 2027 estimation period. By FY 2027, annual high-value motorhome registrations are forecast to total 4,347 with an associated average MSRP of \$443,846.
9. HB 824 amends 61-3-321(10), MCA, bringing high-value boats under the umbrella of the 1% of MSRP luxury fee. Boats with an MSRP above \$150,000 and that are less than 10 years old will be subject to the luxury fee upon the one-time registration of the vessel.
10. Based on a snapshot of CY 2022 boat registrations (from MVD), it is estimated that there were 429 high-value boat registrations in CY 2022.
11. High-value boat registrations represented just over 3% of total boat registrations in Montana. This ratio is held constant and applied to a projection of total boat registrations through CY 2027 to produce a forecast of total high-value boat registrations. The calendar year counts of high-value registrations are converted to fiscal year estimates. By FY 2027, annual high-value boat registrations are forecast to total 470 with an associated average MSRP of \$197,809.
12. New section (24) is added to 61-1-321, MCA, to place an annual inflation factor on the MSRP values for light vehicles, motorhomes, and boats. On January 1 of every year, beginning in 2025, the MSRP threshold is increased by 2% (see technical note #1).
13. Per 61-3-321(23), MCA, all luxury vehicle fee revenue collected from registrations of light vehicles and motorhomes is credited to the motor vehicle division administration account in the state special revenue fund.
14. Luxury fee revenue sourced from boat registrations is not specifically directed, so by default it will be deposited in the general fund per 61-3-321(17), MCA (see technical note #2).
15. Since luxury boat fee revenue is deposited into the general fund, it is subject to the provisions of 15-1-122, MCA, which transfers varying percentages of general fund motor vehicle revenue to a multitude of state special revenue accounts. The positive impact on general fund revenue from luxury boat fee collections will increase the 15-1-122, MCA, transfer amounts, providing a small bump to state special fund revenue.
16. Table 1 summarizes the 15-1-122, MCA, fiscal impact and Table 2 summarizes the luxury fee fiscal impact.
17. All fees charged pursuant to Title 61, MCA, are assessed a 3% administrative fee as instructed by 61-3-311, MCA. The fee is imposed by MVD and deposited fully into the motor vehicle division administration account (61-3-112, MCA).

Table 1.

<b>15-1-122, MCA, Impacts of HB 824</b>				
	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Change in Motor Vehicle Revenue</b>	\$432,760	\$918,150	\$924,942	\$929,009
<b>Fiscal Impact</b>				
MVD Administration Account	\$12,983	\$27,544	\$27,748	\$27,870
Motor Vehicle Recycling Program	\$6,405	\$13,589	\$13,689	\$13,749
Noxious Weed Account	\$6,491	\$13,772	\$13,874	\$13,935
Department of Fish, Wildlife, and Parks	\$3,116	\$6,611	\$6,660	\$6,689
Veteran's Cemetary and Services Accts.	\$3,505	\$7,437	\$7,492	\$7,525
Search and Rescue Acct.	\$173	\$367	\$370	\$372
<b>Total State Special Revenue Impact</b>	<b>\$32,673</b>	<b>\$69,320</b>	<b>\$69,833</b>	<b>\$70,140</b>

Table 2.

<b>Fiscal Impact of HB 824</b>				
<b>Assumptions</b>	<b>FY 2024*</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>High-Value Light Vehicles</b>				
<i>Registrations</i>	3,106	6,708	7,204	7,700
<i>Average MSRP</i>	\$320,632	\$328,577	\$332,383	\$344,299
<i>HB 824 MSRP Threshold</i>	\$150,000	\$151,500	\$153,015	\$154,545
<b>High-Value Motorhomes</b>				
<i>Registrations</i>	1,914	4,001	4,174	4,347
<i>Average MSRP</i>	\$433,469	\$437,903	\$441,180	\$443,846
<i>HB 824 MSRP Threshold</i>	\$300,000	\$303,000	\$306,030	\$309,090
<b>High-Value Boats</b>				
<i>Registrations</i>	235	486	484	470
<i>Average MSRP</i>	\$184,212	\$188,777	\$190,963	\$197,809
<i>HB 824 MSRP Threshold</i>	\$150,000	\$151,500	\$153,015	\$154,545
<b>Current Law</b>				
Light Vehicle Fee	\$825	\$825	\$825	\$825
Light Vehicle Revenue	\$2,562,580	\$5,534,212	\$5,943,376	\$6,352,114
Motorhome Fee	\$800	\$800	\$800	\$800
Motorhome Revenue	\$1,531,003	\$3,200,424	\$3,339,148	\$3,477,594
<b>Total Revenue</b>	<b>\$4,093,583</b>	<b>\$8,734,636</b>	<b>\$9,282,525</b>	<b>\$9,829,708</b>
<b>Proposed Law</b>				
Light Vehicle Fee	\$3,206	\$3,286	\$3,324	\$3,443
Light Vehicle Revenue	\$9,959,336	\$22,041,387	\$23,945,159	\$26,509,419
Motorhome Fee	\$4,335	\$4,379	\$4,412	\$4,438
Motorhome Revenue	\$8,295,527	\$17,518,425	\$18,414,582	\$19,293,955
Boat Fee	\$1,842	\$1,888	\$1,910	\$1,978
Boat Revenue	\$432,760	\$918,150	\$924,942	\$929,009
<b>Total Revenue</b>	<b>\$18,687,623</b>	<b>\$40,477,961</b>	<b>\$43,284,683</b>	<b>\$46,732,383</b>
<b>Fiscal Impact</b>				
Light Vehicle Fee	\$2,381	\$2,461	\$2,499	\$2,618
Light Vehicle Revenue	\$7,396,756	\$16,507,175	\$18,001,783	\$20,157,304
Motorhome Fee	\$3,535	\$3,579	\$3,612	\$3,638
Motorhome Revenue	\$6,764,524	\$14,318,002	\$15,075,434	\$15,816,361
Boat Fee	\$1,842	\$1,888	\$1,910	\$1,978
Boat Revenue	\$432,760	\$918,150	\$924,942	\$929,009
<b>Total Registration Fee Revenue</b>	<b>\$14,594,040</b>	<b>\$31,743,326</b>	<b>\$34,002,159</b>	<b>\$36,902,674</b>
MVD Administration Fee (3%)	\$437,821	\$952,300	\$1,020,065	\$1,107,080
<b>Total Revenue</b>	<b>\$15,031,862</b>	<b>\$32,695,626</b>	<b>\$35,022,223</b>	<b>\$38,009,755</b>
<i>State Special Revenue Fund</i>	<i>\$14,599,101</i>	<i>\$31,777,476</i>	<i>\$34,097,281</i>	<i>\$37,080,746</i>
<i>General Fund</i>	<i>\$432,760</i>	<i>\$918,150</i>	<i>\$924,942</i>	<i>\$929,009</i>

\* FY 2024 impact is halved due to the bill's January 1, 2024 effective date.

- 18. HB 824 is effective January 1, 2024; therefore, the fiscal impact for FY 2024 is halved.
- 19. Passage of this bill will require 10 hours of programming modifications to MERLIN at a cost of \$39.20 per hour (10\*39.20=\$392.00), 10 hours of testing from Business Analyst at a cost of \$28.78 per hour (10\*28.78=\$287.80) and quality assurance review at a cost of \$17.90 per hour (10\*\$17.90 = \$179.00). Total programming and testing fiscal impact will be \$858.80 to be charged to the general fund in FY 2024.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses	\$859	\$0	\$0	\$0
Transfers	\$32,673	\$69,320	\$69,833	\$70,140
<b>TOTAL Expenditures</b>	<b>\$33,532</b>	<b>\$69,320</b>	<b>\$69,833</b>	<b>\$70,140</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$33,532	\$69,320	\$69,833	\$70,140
State Special Revenue (02)	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<b>\$33,532</b>	<b>\$69,320</b>	<b>\$69,833</b>	<b>\$70,140</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$432,760	\$918,150	\$924,942	\$929,009
State Special Revenue (02)	\$14,631,775	\$31,846,796	\$34,167,114	\$37,150,886
<b>TOTAL Revenues</b>	<b>\$15,064,535</b>	<b>\$32,764,946</b>	<b>\$35,092,056</b>	<b>\$38,079,895</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund (01)	\$399,228	\$848,830	\$855,109	\$858,869
State Special Revenue (02)	\$14,631,775	\$31,846,796	\$34,167,114	\$37,150,886

**Technical Notes:**

- The bill adds new section 24 to 61-3-321, MCA, which states “the amounts provided for in subsections (2)(b), (7)(c), and (10)(b) must be increased annually by 2%.” These subsections set the MSRP thresholds and define the amount of the supplementary luxury fee. It is not clear what exactly is being referred to by the term “amounts” in section 1(24) of the bill. Should the amount of the fee being inflated 2% annually, or the MSRP value? The word “amount” is assumed to mean the MSRP value, but an explicit reference would be helpful.
- Multiple sections of 61-3-321, MCA, are augmented to account for the newly established luxury fee for high-value boat registrations. The rules for deposit of the light vehicle and motorhome luxury fee revenue in 61-3-321(23), MCA, is not one of them. This may be intentional, with the desire for the boat fee revenue to be deposited into the general fund, which is the default case for all 61-3-321, MCA, fees. If, however, the intent is for luxury boat fee revenue to be deposited in the same manner as luxury light vehicle and motorhome revenue, then 61-3-321(23), MCA, needs to include a reference to 61-3-321(10)(b), MCA.

**NOT SIGNED BY SPONSOR**

Sponsor's Initials

Date

Budget Director's Initials

Date



3-21-23