



# VERMONT LEGISLATIVE Joint Fiscal Office

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## Fiscal Note

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### **S. 280 – An act relating to miscellaneous changes to laws related to vehicles**

*As Passed by the House of Representatives*

Link to Bill: <https://legislature.vermont.gov/bill/status/2022/S.280>

#### **Bill Summary**

The annual miscellaneous Department of Motor Vehicles (D.M.V.) bill contains numerous amendments and technical corrections to Vermont's vehicle statutes. One section amends overweight permit fees for milk haulers and two sections amend Purchase & Use Tax language. The bill has only a de minimis impact on State revenues.

#### **Overview of Sections with Fiscal Implications**

Section 4 of S. 280 would amend [23 V.S.A. § 1392](#) to modify annual overweight vehicle permit fee requirements. These changes, proposed by the Department of Motor Vehicles (DMV), would allow milk haulers to either register their vehicles for 90,000 lbs. without the need for the current \$10 milk-specific overweight permit, or register for 80,000 lbs. and obtain an all-products overweight permit to haul up to 90,000 lbs. These amendments are intended to simplify the existing permit structure in response to changes in federal regulations and reduce expenses to the dairy hauling industry.

The expected fiscal impact of the proposed overweight permit fee changes is approximately \$18,000 of reduced annual revenue to the Transportation Fund, beginning in FY 2023 - a de minimis impact in the context of the \$303.3 million Transportation Fund.

Additionally, Sections 6 and 7 of S. 280 propose technical amendments to [32 V.S.A. § 8902\(5\)](#) and [32 V.S.A. § 8911](#) to clarify language regarding certain existing exemptions to the Motor Vehicle Purchase & Use Tax. These amendments, which are proposed by DMV, are not expected to have a significant impact on the Education Fund or Transportation Fund.

#### **Section 4: Overweight Vehicle Permits**

##### **Current Requirements**

Currently there are three ways to legally haul 90,000 lbs. of unprocessed milk products:

1. Register the vehicle for 80,000 lbs. and purchase a \$382 milk hauler overweight permit allowing the operator to haul milk at 90,000 lbs.
2. Register the vehicle for 90,000 lbs. and purchase a \$10 milk hauler overweight permit allowing the operator to haul milk at 90,000 lbs. on the interstate highway system.

3. Register the vehicle for 80,000 lbs. and purchase an all-products overweight permit for \$415, entitling the operator to haul any commodity at 90,000 lbs.

According to DMV, in FY2012, the Federal Highway Administration (FHWA) allowed Vermont to permit overweight vehicles to operate on the interstate highways in excess of federal weight limits, provided that the vehicles were either registered for the excess weight or had a valid permit for the excess weight. Originally, this FHWA ruling was set to expire in 2031; however, the ruling was made permanent in June 2016 with no expiration date.

**Proposed Requirements**

S. 280 proposes to modify the overweight permits by:

- Eliminating the \$10 overweight permit to haul milk for vehicles registered to 90,000 lbs., since FHWA now allows these vehicles to operate on the interstate system without the additional permit.
- Eliminating the \$382 milk hauler overweight permit for vehicles registered to 80,000 lbs. to haul milk at 90,000 lbs.
- Reducing the cost of the all-products overweight permit from \$415 to \$382 for vehicles registered to 80,000 lbs. to operate at 90,000 lbs. This would streamline permit requirements and equalize permit costs for milk haulers and all-products haulers at the current rate for milk haulers operating a vehicle registered to 80,000 lbs.

These proposed changes are intended to align Vermont statute with federal permitting requirements, streamline the permit rules, and result in modest cost savings to the milk hauling industry.

| <b>Table 1: Summary of Current and Proposed Permit and Registration Fee Options for Milk Haulers</b>         |                         |                          |              |
|--|-------------------------|--------------------------|--------------|
| <b>Current State</b>   | <b>Registration Fee</b> | <b>Overweight Permit</b> | <b>Total</b> |
| 1. Register vehicle for 80,000 lbs., purchase \$382 milk hauler overweight permit to haul up to 90,000 lbs.  | \$2,336.50              | \$382.00                 | \$2,718.50   |
| 2. Register vehicle for 90,000 lbs., purchase \$10 milk hauler permit  | \$2,648.50              | \$10.00                  | \$2,658.50   |
| 3. Register vehicle for 80,000 lbs., purchase \$415 all-products overweight permit to haul up to 90,000 lbs. | \$2,336.50              | \$415.00                 | \$2,751.50   |
| <b>Proposed State</b>  | <b>Registration Fee</b> | <b>Overweight Permit</b> | <b>Total</b> |
| 1. Register vehicle for 90,000 lbs.  | \$2,648.50              | \$0                      | \$2,648.50   |
| 2. Register vehicle for 80,000 lbs., purchase \$382 all-products overweight permit to haul up to 90,000 lbs. | \$2,336.50              | \$382.00                 | \$2,718.50   |

**Fiscal Impact**

Annual overweight permit and registration fees accrue to the Transportation Fund. According to DMV, in 2021:

- 155 \$10 milk hauler overweight permits were issued. Eliminating this permit will result in an estimated revenue loss of approximately \$1,550 annually.
- 2,101 overweight permits were issued allowing vehicles registered to 80,000 lbs. to operate at 90,000 lbs. Reducing this permit fee from \$415 to \$382 (a \$33 reduction per permit) could result in an annual revenue loss of up to \$69,333 if every permit was issued at the full cost. However, many customers

will buy multiple permits for the same vehicle for a \$10 administrative fee per additional permit, rather than the full price. DMV reports that 503 permits were issued at the full cost of \$415. A \$33 reduction on the full price of the permit would expect to result in a revenue loss of approximately \$16,600.

- 49 overweight permits were issued allowing vehicles registered at 80,000 lbs. to haul milk at 90,000 lbs. If this milk-specific permit is eliminated (as proposed), it is expected that most vehicle owners would purchase the 90,000 lbs. all-products overweight permit for the same \$382 cost as the eliminated milk-specific permit, resulting in little to no revenue loss.

**Table 2: Estimated Fiscal Impact of Proposed Oversize Permit Changes**

| Oversize Permit   | Current Permit Fee | Proposed Permit Fee | Change | Number of Permits Issued (2021) | Estimated Fiscal Impact |
|---|--------------------|---------------------|--------|---------------------------------|-------------------------|
| Overweight permit – 90,000 lbs. vehicle to haul milk at 90,000 lbs.                 | \$10               | \$0                 | -\$10  | 155                             | -\$1,550                |
| Overweight permit – 80,000 lbs. vehicle to operate up to 90,000 lbs. (all products) | \$415              | \$382               | -\$33  | 503                             | -\$16,600               |

*Data from the Department of Motor Vehicles*

## Sections 6 and 7: Purchase & Use Tax Amendments

Sections 6 and 7 of S.280 propose technical amendments to [32 V.S.A. § 8902\(5\)](#) and [32 V.S.A. § 8911](#). Under current law, two thirds of the Purchase & Use Tax (4 percentage points of the 6 percent total tax rate) accrues to the Transportation Fund, and one third (2 percentage points of the 6 percent total tax rate) accrues to the Education Fund.

**Section 6** contains technical amendments to the statutory provisions around exemptions to the Purchase & Use Tax. These amendments recognize that registration and titling are both subject to the Purchase & Use Tax. Currently, in order to use the value of a vehicle sale or trade-in as a credit against the taxable purchase price of the vehicle being newly registered or titled, the vehicle sold or traded in must have been last “registered” in the applicant’s name. Both a title-only and registration transaction are subject to Purchase & Use Tax, and the proposed language clarifies that an applicant can also receive this credit against the taxable cost if the former vehicle was titled (but not necessarily registered) in their name. DMV does not anticipate this provision will have a material impact on Purchase & Use revenues, since most vehicles that are sold or traded in and receive this credit are titled and registered in the same name.

The language proposed to be repealed in subsection (F) will have no anticipated revenue impact, since no vehicle leases are still in effect that were in effect on June 30, 1995.

**Section 7** would modify an existing exemption to the Purchase & Use Tax for vehicles that have been registered to the applicant in a different state that imposes a sales or use tax on motor vehicles. Current law requires the motor vehicle to be registered to the applicant for at least three years in another state to qualify for the exemption. Section 7 would remove the three-year requirement from the statute but maintain the overall exemption, which is intended to avoid double taxation by different states on the same vehicle. DMV proposed this change in recognition of the fact that it can be onerous for applicants to produce three years’ worth of out-of-state registration records. Additionally, there is a very high degree of confidence that sales and use tax was previously paid on these vehicles at the time of registration in a state with such a tax. This provision would *not* allow a Vermont resident to purchase a vehicle in a neighboring state that has no sales and use tax, then register it in Vermont and avoid paying the Purchase & Use Tax. Applicants for the

exemption would still be required to show proof of an out-of-state registration from a state with such a tax, or a tax receipt demonstrating that tax was previously paid to another jurisdiction.

While DMV does not have historical data on Purchase & Use transactions that involved out-of-state registration periods of less than 3 years, the Department does not expect this amendment to have a material impact to revenues.