

## Department of Planning and Budget 2006 Fiscal Impact Statement

**1. Bill Number** HB344

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed  
**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**        Sherwood

**3. Committee**    Transportation

**4. Title**            All-terrain vehicles and off-road motorcycles.

**5. Summary/Purpose:** This bill would require that every owner (other than a dealer) of any all-terrain vehicle or off-road motorcycle powered by a gasoline or diesel engine of more than 50 cubic centimeters displacement that is purchased as new on or after July 1, 2006, must obtain a title to the vehicle from the Department of Motor Vehicles (DMV). On and after January 1, 2009, in order to purchase or otherwise acquire an all-terrain vehicle or off-road motorcycle, the purchaser must obtain a certificate of title from DMV whether the vehicle is being acquired as new or used. The bill provides that, for purposes of motorcycle dealers, all-terrain vehicles and off-road motorcycles will be considered motorcycles.

The bill also allows children under 12 years of age to operate all-terrain vehicles and off-road motorcycles powered by engines of no more than 50 cubic centimeters displacement. Three sections of the tax code are also amended so as to avoid tax consequences flowing from titling of these vehicles. Nothing in the bill requires all-terrain vehicles or off-road motorcycles to be registered or licensed.

**6. Fiscal impact estimates are preliminary.** (See Item 8)

**6a. Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$84,966	2.00	NGF
2007-08	\$84,966	2.00	NGF
2008-09	\$84,966	2.00	NGF
2009-10	\$84,966	2.00	NGF
2010-11	\$84,966	2.00	NGF
2011-12	\$84,966	2.00	NGF

**6b. Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2006-07	\$400,000	-	NGF
2007-08	\$400,000	-	NGF
2008-09	\$400,000	-	NGF
2009-10	\$400,000	-	NGF
2010-11	\$400,000	-	NGF
2011-12	\$400,000	-	NGF

**7. Budget amendment necessary:** Yes, Item 435.

**8. Fiscal implications:** Under current law, DMV titles these all-terrain or off-road vehicles as a courtesy only. These vehicles may not be operated on the public highways and therefore are not required to be registered. Because of this restriction, they are exempt from the Motor Vehicle Sales and Use Tax of 3 percent but are subject to the 5 percent Retail Sales and Use Tax.

According to industry representatives, approximately 20,000 new all-terrain vehicles are sold in the Commonwealth each year. The vast majority of these all-terrain vehicles are already titled using the current voluntary system.

In addition, according to industry representatives, 40,000 new off-road motorcycles are sold in the Commonwealth each year. These vehicles are not currently being titled with DMV. Based on this information, DMV estimates that 40,000 new off-road motorcycles would be titled each year at the \$10 titling fee under the provisions of this legislation. This would result in an estimated \$400,000 in additional revenue.

Also under current law, sellers of these vehicles are not required to be licensed dealers unless the make of the all-terrain or off-road motorcycle is the same as the make of an on-road motorcycle. In that case, the commercial (not casual) seller must be licensed by DMV as a motorcycle dealer.

Requiring such vehicles to be titled will place additional transaction and administrative requirements upon DMV, even though such vehicles are not operated on a highway. Currently, title records for these vehicles that are titled voluntarily are only maintained by DMV for two years. The implementation of this legislation would require a change in DMV policy and impact the DMV automated system.

The titling requirement for new off-road motorcycles will increase traffic in Customer Service Centers as well as transactions being processed by headquarters staff. DMV estimates that the agency would need two additional FTEs at a cost of \$84,966 annually (\$42,483 each including benefits) to process the 40,000 additional annual titles for these off-road motorcycles. Anticipated revenues of \$400,000 from the titling fee would be more than sufficient to cover these costs.

This legislation provides that all-terrain vehicles and off-road motorcycles are not required to be registered. This might be interpreted as meaning that they could voluntarily be registered with DMV and thus increase the number of registration transactions. If registered with DMV, the vehicles would also then be required to pass a state inspection under the provisions of 46.2-1157.

From a customer perspective, the legislation would require any entity that sells an all-terrain or off-road motorcycle to be a licensed as a motorcycle dealer. This will impact retailers such as Lowes, Wal-Mart, etc. who sell these vehicles. The provisions of this legislation amount to a new fee (the title fee) placed on owners of these vehicles. Requiring all-terrain and off-road motorcycles to be titled would impact farmers and businesses using such vehicles for

commercial purposes (i.e., warehouse operations, campus operations, etc.). Finally, this legislation would exclude all-terrain vehicles and off-road motorcycles from qualifying for personal property tax relief.

**9. Specific agency or political subdivisions affected:** Department of Motor Vehicles.

**10. Technical amendment necessary:** No.

**11. Other comments:** This bill is a companion to SB 191.

**Date:** 01/25/06/jlv

**Document:** G:\06-08\FIS\DMV\HB344.Doc Janet Vogelgesang

cc: Secretary of Transportation