

Department of Planning and Budget

2006 Fiscal Impact Statement

1. Bill Number: SB 191

House of Origin ☐ Introduced ☒ Substitute ☐ Engrossed

Second House ☒ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Williams

3. Committee: Transportation

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

5. Summary/Purpose: This substitute bill would require that every owner (other than a dealer) of any all-terrain vehicle (ATV) or off-road motorcycle powered by a gasoline or diesel engine of more than 50 cubic centimeters displacement that is purchased as new or used on or after July 1, 2006 obtain a title to the vehicle from the Department of Motor Vehicles. The bill provides that, for purposes of motorcycle dealers, all-terrain vehicles and off-road motorcycles will be considered motorcycles.

The substitute also allows children under 12 years of age to operate all-terrain vehicles powered by engines of no more than 70 cubic centimeters displacement. Three sections of the tax code are also amended so as to avoid tax consequences flowing from titling of these vehicles. The substitute does not permit registration or licensing of these vehicles.

6. Fiscal impact estimates are preliminary. See Item 8 below.

7. Budget amendment necessary: No.

8. Fiscal implications: Under current law, the Department of Motor Vehicles (DMV) titles all-terrain vehicles as a courtesy only. These vehicles may not be operated on the public highways and therefore are not required to be registered. Due to 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. According to additional information provided by industry representatives subsequent to the fiscal impact statement for the introduced version of this bill, only 3,619 new off-road motorcycles were sold in the Commonwealth in calendar year 2005, as compared to the 40,000 previously estimated. Off-road motorcycles are not currently being titled with DMV. Based on this information, it is estimated that an additional 3,619 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 \$36,190 in additional revenue.

The industry has advised that information concerning the annual number of sales of used ATVs and off-road motorcycles is not readily available.

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. However, based on the new information concerning the number of new ATVs and off-road motorcycles sold in the Commonwealth last year, the agency does not believe that this legislation will significantly increase traffic in customer service centers, nor require an increase in staffing.

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. This legislation would require any entity that sells an all-terrain or off-road motorcycle to be licensed as a motorcycle dealer. This will impact retailers such as Lowes, Wal-Mart, etc. who sell these vehicles. Requiring all-terrain and off-road motorcycles to be titled will also impact farmers and businesses using such vehicles for commercial purposes (i.e., warehouse operations, campus operations, etc.). Finally, this legislation would also 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: Yes. The patron will be offering an amendment to clearly retain the retail sales tax status of all-terrain vehicles and off-road motorcycles.

11. Other comments: HB 344, a companion bill, was tabled in House Transportation Committee.

Date: 2/23/06/jlv

Document: G:\06-08\FIS\DMV\SB191S1.Doc Janet Vogelgesang

cc: Secretary of Transportation