

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: SB728

House of Origin X Introduced Substitute Engrossed
Second House In Committee Substitute Enrolled

2. Patron: Saslaw

3. Committee: Senate Transportation

4. Title: Collection of annual license and registration fees in certain localities.

5. Summary: The proposed legislation would prohibit licensed motor vehicle dealers from collecting any additional license and registration fees imposed by the Hampton Roads Transportation Authority and/or the Northern Virginia Transportation Authority.

6. Fiscal Impact Estimates: Preliminary.

6a. Expenditure Impact: The provisions regarding the collection of license and registration fees would increase collection costs for the Department of Motor Vehicles (DMV) by an estimated \$3.4 million and require over \$100,000 in system changes. The Department of Taxation estimates a \$3.4 million impact based on the percentage of taxable sales currently processed by motor vehicle dealers (55 percent) times the number of taxable sales in Northern Virginia and Hampton Roads (590,480 and 472,271 respectively) times the DMV cost per transaction (\$5.80). The additional collection costs will be passed on to the transportation authorities by the vendor hired to collect the taxes and fees of the Hampton Roads Transportation Authority and the Northern Virginia Transportation Authority.

7. Budget Amendment Necessary: Yes. An increase of \$3.4 million will be required in FY 2009 and FY2010 in Item 441 related to the increase in collection costs of license and registration fees.

8. Fiscal Implications: The revenues generated by the additional license and registration fees support the Northern Virginia Transportation Authority and the Hampton Roads Transportation Authority and are not state revenues. The additional cost to DMV to collect the fees will be passed on to the transportation authorities, who will see a reduction in revenues of \$3.4 million per year.

9. Specific Agency or Political Subdivisions Affected: Department of Motor Vehicles, Northern Virginia Transportation Authority, and the Hampton Roads Transportation Authority

10. Technical Amendment Necessary: None.

11. Other Comments: The provisions prohibiting the collection of the transportation authorities' license and registration fees will require changes to current agency, dealer and

customer practices, which will increase the potential for confusion and error. Motor vehicle dealers currently collect the 3 percent state motor vehicle sales and use tax, as well as the state portion of the registration fee. This practice will not be amended by the proposed legislation. The bill only prohibits dealers from collecting any additional license and registration fees imposed by the Hampton Roads Transportation Authority and/or the Northern Virginia Transportation Authority. The bill will require customers in Northern Virginia and Hampton Roads to complete an additional transaction with DMV before the registration and titling process can be completed. Customers will not be able to add the regional 1 percent initial registration fee to the financing of the vehicle and will have to pay the fee with cash or credit card. Section 46.2-600, Code of Virginia, requires the registration of motor vehicles within 30 days of the purchase. Procedures at the Department of Motor Vehicles and the motor vehicle dealers will need to be amended to ensure customers can register their vehicles within the time limit.

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cc: Secretary of Transportation