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FISCAL ANALYSIS

HOUSE BILL 6264 AS INTRODUCED
Sponsor: Rep. Andrew C. Richner

HOUSE BILL 6265 AS INTRODUCED
Sponsor: Rep. Andrew C. Richner

House Committee: Insurance and Financial Services

COMMITTEE ANALYSIS - 12/3/02
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SUMMARY

House Bill 6264 would amend the Michigan Vehicle Code to require the Secretary of State to collect a $1 assessment at the time a vehicle was registered. The assessment revenue would be transferred to the Automobile Theft Prevention Authority created by the Insurance Code.

House Bill 6265 would amend the Insurance Code to delete the current provision requiring each auto insurer to pay an annual assessment of $1 per car year of insurance written during the preceding year.

Replacing the current $1 assessment on insurance premiums with a $1 assessment on vehicle registrations would increase revenue received by the Automobile Theft Prevention Authority by approximately $4.8 million per year.

BACKGROUND

The Auto Theft Prevention Authority is part of the Department of State Police. The authority distributes the assessment revenue it receives for grants to fund automobile theft prevention initiatives. Grant recipients include multi-jurisdictional law enforcement teams, county prosecutors, and non-profit organizations. Grant recipients must fund 25 percent of the total grant amount.

FISCAL ANALYSIS

In fiscal year (FY) 2001-02, the authority received $6.4 million in assessment revenue. The Secretary of State reports that 11.2 million vehicle registrations (including transferred registrations) were processed in FY 2001-02—equating to $11.2 million in revenue were the provisions of the bills in effect. Enactment of the bills, then, would result in an annual revenue increase of approximately $4.8 million.

The revenue increase can be attributed to four factors:

(1) The current assessment is applied only to passenger (noncommercial) vehicles. The assessment created by House Bill 6264 would apply to all vehicles, including commercial vehicles, trailers, and motorcycles.

(2) It is possible that some individuals insure a car only for the period necessary to register it and subsequently (illegally) cancel the insurance. In such cases, the current $1 assessment is not applied in its entirety. Under the new assessment, the full $1 would be applied in such cases.

(3) In legitimate instances of partial-year insurance coverage, only a partial assessment is received currently, whereas the full assessment would be received under the bills.

(4) The new assessment would appear to apply to transferred registrations—which totaled 1.3 million in FY 2001-02. The current assessment is not reapplied when an individual sells one vehicle and purchases another (maintaining the same insurance coverage).