

# Legislative Analysis

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## TWO-YEAR VEHICLE REGISTRATION

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 4663 as introduced**  
**Sponsor: Rep. Steven Johnson**  
**Committee: Transportation and Infrastructure**  
**Complete to 9-15-17**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

Under the Michigan Vehicle Code (MCL 257.226) a vehicle registration issued by the secretary of state (SOS) expires on the owner's birthday, unless another expiration date is provided for or unless the registration is for certain vehicles, specified in the code, in which case registration expires on the last day of February.

House Bill 4663 would amend the code to say that in the case of a vehicle owned by an individual, upon request of that individual, a vehicle registration issued by the secretary of state expires two years after the owner's birthday.

### FISCAL IMPACT:

The bill would have an indeterminate fiscal impact on the state and no fiscal impact on local units of government.

The bill would create an indeterminate, but likely substantial, increase in costs for the Department of State (DOS) due to the initial costs of implementation. These costs would primarily come from the necessary programming changes to DOS's automated systems to make a two-year vehicle registration option available to customers.

The SOS relies heavily on automated systems for branch and retail operations. According to DOS, the changes required in the bill would affect multiple systems and require IT programming costs. These systems include those used by branch office computers, SOS self-service kiosks, and Computerized Vehicle Registration (CVR) systems used at auto dealerships. The cost of reprogramming those systems has not been determined. As a general reference, the median budget for an IT project among all active enterprise-wide IT projects is approximately \$365,000.

The bill could also have an indeterminate fiscal impact to the Department of Natural Resources depending on the way the bill's implementation would affect the purchase of Recreation Passports. Recreation Passports are purchased for \$11 at the time of registration (\$6 for motorcycles), are valid for one year—or for the registration period—and support state parks and recreation areas. The bill does not address how fees for Recreation Passports would be charged to those opting for a two-year registration. The bill does not specify whether individuals choosing to renew their vehicle registration on a two-year cycle could purchase a Recreation Passport for the same two-year period; Recreation Passports have been sold on an annual basis. Consequently it is unclear whether the DNR would realize a

change in Recreation Passport revenue. In fiscal year (FY) 2015-16, Recreation Passports generated \$27.6 million in revenue from a participation rate of 31.9% of all vehicle registrations.

The bill would may marginally increase vehicle registration revenues which are deposited into the Michigan Transportation Fund (MTF). Section 801i of the Michigan Vehicle Code permits the Secretary of State to issue a vehicle registration for more than one 12-month period and requires that the registration tax be prorated for that period according to the taxes and expiration dates provided for in the vehicle code. Funds in the MTF are distributed to local governments and various state agencies for the primary purpose of road repair and construction.

Section 801, which provides the guidelines for registration tax fees, requires a registration fee to be reduced to 90% of the original vehicle registration fee for each of the first 3 registration renewals. It specifies that these reductions shall occur at the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> sequential registration, and not by years. Depending on how the 2<sup>nd</sup> year of a two-year registration is prorated, the bill could potentially raise MTF revenues. If the 2<sup>nd</sup> year of a two-year registration is charged the same rate as the 1<sup>st</sup>, an increase in revenue would be realized by delaying the mentioned 10% fee reductions until after each two-year registration (over the first three renewals, or five years). For the registration of a new \$25,000 vehicle, this would result in an additional \$80.55 collected over the first six years a vehicle is registered. This increase would result only from owners who register a new vehicle and who repeatedly opt for the two-year registration. If it is determined that the 2<sup>nd</sup> year can be prorated with the 10% reduction included, the bill would have no impact on the MTF.

The potential increase is indeterminate because there are no data with which to predict how many drivers would opt for the two-year registration and for how many registrations the 10% reductions would apply. There were over 7.6 million passenger vehicle registrations in FY 2015-16. DOS reports that two-year registrations were implemented in the early 1980s but were unpopular with customers, suggesting the percentage of two-year registrations would be relatively low.

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