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House Bills 4117 and 4026 (as passed by the House)
Sponsor: Representative Steven Johnson (H.B. 4117)
Representative Gary Eisen (H.B. 4026)
House Committee: Transportation
Senate Committee: Transportation and Infrastructure

Date Completed: 5-26-21

CONTENT

House Bill 4117 would amend the Michigan Vehicle Code to allow a vehicle registration issued by the Secretary of State (SOS) to expire two years after the owner's birthday if requested by the owner of the vehicle.

House Bill 4026 would amend the Michigan Vehicle Code to specify that the amount of the recreation passport fee for an individual who obtained a two-year vehicle registration as proposed in House Bill 4117 would be \$20.

The bills are tie-barred, and would take effect October 1, 2022.

House Bill 4117

Under the Code, except as otherwise provided, upon application and payment of the proper fee, the SOS must issue a registration for a vehicle or a motorcycle to a resident that expires on the owner's birthday. If the owner's next birthday is at least six months but not more than 12 months in the future, the owner must receive a registration valid until the owner's next birthday. If the owner's next birthday is fewer than six months in the future, the owner must receive a registration valid until the owner's birthday following the owner's next birthday. When determining the length of time between the application for a registration and the owner's next birthday, partial months must be considered as whole months for the calculation for the registration fee. The bill would subject these provisions to the following provision.

Under the bill, in the case of a vehicle owned by an individual, upon request of that individual, a vehicle registration issued by the SOS would expire two years after the owner's birthday.

The Code also requires the SOS to issue a registration for a vehicle other than certain commercial vehicles; a trailer or semitrailer owned by a business, corporation, or person other than an individual; or a pole trailer beginning 45 days before the owner's birthday and 120 days before the expiration date assigned by the SOS. Under the bill, if the owner requested the expiration date as described above, the SOS would have to issue a registration for a vehicle other than those described above beginning 45 days before that expiration date and 120 days before the expiration date assigned by the SOS.

House Bill 4026

Under the Code, an applicant for the issuance or renewal of a motor vehicle registration or for a replacement registration tab or sticker may submit a State park and State-operated

public boating access site passport fee to the SOS with the application. The Code specifies that the amount of the recreation passport fee is \$10 for a vehicle and \$5 for a motorcycle. Under the bill, for an individual who obtained a two-year vehicle registration as proposed in House Bill 4117, the recreation passport fee would be \$20.

(Under the Code, the State Treasurer is required to adjust the recreation passport fees by the cumulative percentage change in the Consumer Price Index from October 1, 2010, to the October 1 immediately preceding the calendar year, rounded to the nearest dollar. Currently, the fee for a motorcycle is \$6; for a motor vehicle, it is \$12. Under the bill, the \$20 fee also would be subject to this adjustment.)

The Code also requires an application for a motor vehicle registration to contain certain information, including a description of the fee for a recreation passport for a motor vehicle and motorcycle. The bill would require the application to include information that specified that the fee for recreation passport for a vehicle registered for two years as proposed in House Bill 4117 would be \$20.

MCL 257.226 (H.B. 4117)
257.805 (H.B. 4026)

Legislative Analyst: Tyler VanHuysse

FISCAL IMPACT

House Bill 4117

The bill would have a significant fiscal impact on the Department of State and Michigan State Police (MSP) by reducing revenue collections that are used to fund each department and the services they provide. The amount of revenue loss would depend on the actual number of vehicle owners who opted for a two-year registration instead of the current one-year registration.

Currently, the Department of State collects a registration service fee of \$8 per registration or registration renewal. Based on fiscal year (FY) 2019-20 Department data, there were 8,503,500 registration transactions for which the \$8 fee was collected for an estimated total receipt of \$68.0 million. According to the Michigan Vehicle Code, \$5.75 of the \$8 fee is credited to the Transportation Administration Collection Fund (TACF) and the remaining \$2.25 is credited to the Traffic Law Enforcement and Safety Fund (TLESF). This fee is collected for each new vehicle registered in Michigan and for each year a vehicle's registration is renewed. There is no provision in the bill to replace the revenue lost in the second year for each two-year registration.

In FY 2019-20, an estimated \$48.9 million was deposited into the TACF (the major source of restricted funding for the Department) while the remaining \$19.1 million was deposited into the TLESF (a restricted source of funding for the MSP). Assuming 10% of vehicle owners opted for a two-year registration, the bill would result in a loss of an estimated 850,400 vehicle registration fees for a total loss in revenue collections of approximately \$6.8 million: a \$4.9 million reduction for the Department of State and a \$1.9 million reduction for the MSP. Actual revenue loss would depend on the actual number of vehicle owners who opted for a two-year registration.

Additionally, the Department of State would incur information technology programming costs for upgrades that would be required for the Department's multiple systems to accommodate the two-year registrations. This cost would be significant and, coupled with the anticipated loss in vehicle registration service fees, would require additional appropriations.

The bill would have an indeterminate fiscal impact on the Michigan Transportation Fund (MTF), from which appropriations are made to the Department of Transportation and local units of government. The impact largely would depend on how the Secretary of State (SOS) interpreted a registration that "expires 2 years after the owner's birthday". The current registration renewal rates, listed under Section 801 of the Michigan Vehicle Code, are based upon registration periods of 12 months. Section 801i of the Code allows the SOS to prorate the registration tax for registrations of more than one registration period; however, the bill's language does not refer to a "registration period" of 12 months. It, instead, refers to a single registration that "expires 2 years after the owner's birthday".

Section 801 of the Code taxes registration renewals at 90% of the previous year's registration fee. This means the cost to renew a vehicle registration each year is 10% less than the previous year's fee. Under the bill's language and existing statute, it is not clear if this 10% fee reduction would continue to occur annually, or if, for those who chose to renew every two years, the 10% reduction would occur every other year.

If the SOS interpreted a registration that "expires 2 years after the owner's birthday" as covering two, 12-month registration periods, there likely would be no fiscal impact on the MTF, other than variable revenue shifts that could occur annually if vehicle owners chose to renew for two years in large numbers once the bill were enacted. If, instead, the 10% fee reduction occurred every two years, the MTF could see an increase in revenue from fewer fee reductions that are triggered by registration renewals. The increase would depend upon the number of vehicle owners who chose to renew every two years instead of annually.

The MTF collects revenue from gas taxes and registration fees, which then is divided (under Section 10 of Public Act 51 of 1951) into shares for the Department of Transportation, County Road Commissions, Cities and Villages, and a 10% share for the Comprehensive Transportation Fund, from which appropriations are made for transit agencies and rail programs. All of these entities and industries are affected by revenue shifts to or from the MTF.

House Bill 4026

The bill would have no fiscal impact on State or local government.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.