Legislative Analysis

TWO-YEAR VEHICLE REGISTRATIONS
AND RECREATION PASSPORTS

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

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

House Bill 4026 as introduced
Sponsor: Rep. Gary R. Eisen

House Bill 4117 as introduced
Sponsor: Rep. Steven Johnson

Committee: Transportation
Complete to 2-15-21

SUMMARY:

House Bills 4117 and 4026 would amend the Michigan Vehicle Code to allow certain vehicle owners to request a two-year (instead of one-year) vehicle registration and to allow vehicle owners with a two-year registration to obtain a two-year recreation passport.

House Bill 4117 would allow a registration issued by the secretary of state for a vehicle owned by an individual to expire two years after the owner's birthday upon the request of the owner.

Currently, a vehicle registration is issued annually and expires on the owner's birthday, except when another date is provided for under circumstances specified in the act.

The registration tax paid by an individual who requested and was issued a two-year registration would be proportionally adjusted.

MCL 257.226

House Bill 4026 would revise the fee paid for the recreation passport that allows vehicular entry to state parks, recreation areas, and boat launches.

The act currently provides that an annual recreation passport fee for a Michigan motor vehicle owner is $10 when paid with an application for the issuance or renewal of a registration.

Under the bill, the fee for a two-year recreation passport for a Michigan vehicle owner with a two-year vehicle registration would be $20 when paid with a new or renewal registration application.

MCL 257.805

The bills are tie-barred to one another, which means that neither could take effect unless both were enacted.

The bills would take effect October 1, 2022.

FISCAL IMPACT:

House Bill 4117 could result in a significant decrease in registration service fee revenue credited to two state restricted funds, as described below. The actual amount of the decrease would depend on the number of vehicle owners who opt for a two-year registration.

With each initial vehicle registration or renewal transaction, there is an accompanying $8 service fee as authorized by section 801(3)(a) and (b) of the Michigan Vehicle Code. Revenue from the $8 service fee is credited as follows:

> $5.75 to the Transportation Administration Collection Fund (TACF), a state restricted fund used to support the vehicle registration program of the Department of State (DOS).[1]
>
> $2.25 to the Traffic Law Enforcement and Safety Fund (TLESF), a state restricted fund appropriated to support the Michigan State Police (MSP) traffic and safety operations and to support MSP trooper recruit schools.[2]

While the bill would prorate the registration tax for the extended registration period, it would not increase service fees to cover the loss of the second-year registration service fee revenue resulting from the reduced number of transactions.

DOS would experience reduced administrative costs from a reduction in registration renewals. However, savings from reduced costs would likely not be greater than the reduction in TACF fee revenue. Fee amounts are often greater than the direct cost of their respective service in order to support other services that are not authorized a revenue source for compensation. There would be no reduction in administrative costs to MSP to offset the reduction in TLESF revenue.

In FY 2017-18, revenue from the $8 vehicle registration service fee totaled $62.6 million, with $45.0 million credited to the TACF and $17.6 million credited to the TLESF.

The table below presents four revenue scenarios based on the percentage of registered drivers who opt to register for two years to all registered vehicles. Revenue figures show the estimated fiscal impact in the second year of two-year registrations being made available. Calculations are based on total registration transactions and revenue collected in FY 2018-19. Any reduction in revenue presumably would be distributed evenly across each year the longer the option is available, but for purposes of estimating the total impact for this analysis, the table assumes all two-year registrations will occur in the first year. The number of vehicle registrations remain stable from year to year, with a consistent gradual increase in the number of registrations.

[1] http://legislature.mi.gov/doc.aspx?mcl-257-810b
[2] http://legislature.mi.gov/doc.aspx?mcl-257-819a

Estimates of Second-Year Revenue Reductions Based on Percentage of Drivers Opting for Two-Year Vehicle Registrations

2-Year Reg. of All Reg. %	Transactions	Total Revenue Reduction	TACF DOS Revenue Reduction	TLESF MSP Revenue Reduction
2.5%	197,863	$1,582,900	$1,137,700	$445,200
5%	395,727	$3,165,800	$2,275,400	$890,400
10%	791,454	$6,331,600	$4,550,900	$1,780,800
20%	1,582,908	$12,663,300	$9,101,700	$3,561,500

The bill would also create an indeterminate one-time increase in costs for DOS due to the initial technology costs of implementation. These costs would primarily come from the necessary programming changes to the department's automated systems to make multi-year two-year vehicle registration option available to customers.

The secretary of state (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.

Additionally, the bill 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 code. The MTF is the collection and distribution fund for dedicated state transportation revenue, primarily from motor fuel taxes and vehicle registration taxes. Section 10 of 1951 PA 51 governs the distribution of MTF revenue; the section directs MTF revenue to the State Trunkline Fund, to other state transportation funds and programs, and to local road agencies (county road commissions, cities, and villages).

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 three registration renewals. It specifies that these reductions must occur at the second, third, and fourth sequential registration, and not by years. Depending on how the second year of a two-year registration is prorated, the bill could potentially increase MTF revenues. If the second year of a two-year registration is charged the same rate as the first, 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 second 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 to how many registrations the 10% reductions would apply. There were nearly 8.2 million passenger vehicle registrations in FY 2018-19. DOS reports that two-year registrations were implemented in the early 1980s but were not popular with customers, suggesting the percentage of two-year registrations would be relatively low.

Legislative Analyst: E. Best
Fiscal Analysts: Michael Cnossen
William E. Hamilton

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.