

What was the "new wheels tax" proposed in the 1997 election year? How much could it raise through FY 2034-35?

The new wheels tax was to be paid on the initial registration of any motor vehicle in the state. It would not have applied if the newly registered vehicle replaced another vehicle. Our preliminary estimate of potential revenue through FY 2034-35 from a new wheels tax imposed beginning in 2009 is \$1.14 billion in nominal dollars and \$740 million in 2008 inflation-adjusted dollars.

The "new wheels tax" was among several fee and tax increases contained in a citizen initiative on the November 1997 ballot. These fees and taxes would have helped fund projects described in the Strategic Project Investment Program approved by the Colorado Transportation Commission on August 15, 1996. The fees and taxes would have lasted until the earlier of December 31, 2010, or the completion of the specific 28 projects in the investment program. The proposal was defeated at the November 1997 election, ostensibly because Governor Romer withdrew his support of the proposal. There was no other active campaign in favor of the proposal. The General Assembly had passed Senate Bill 97-1 earlier in the year. This bill diverted 10 percent of the state sales and use tax to the Highway Users Tax Fund. These funds were to be used for the Strategic Project Investment Program.

The ballot proposal contained three tax or fee increases:

- An increase in the gasoline and special fuel tax of five cents;
- An increase in motor vehicle registration fees of \$10; and,
- A new wheels tax of \$100.

The new wheels tax was to be paid on the initial registration of any motor vehicle in the state. Initial registration was defined as the first time a vehicle was registered in the name of the owner of the vehicle. The tax did not apply if the newly registered vehicle replaced another vehicle that was non-operational or had been sold, transferred, disposed of, or destroyed. It also did not apply if the registration resulted from a transfer of title between joint owners of the vehicle.

The voter guide in 1997 stated that the new wheels tax would have raised \$387 million over a 13-year period, or an average of \$29.8 million per year.

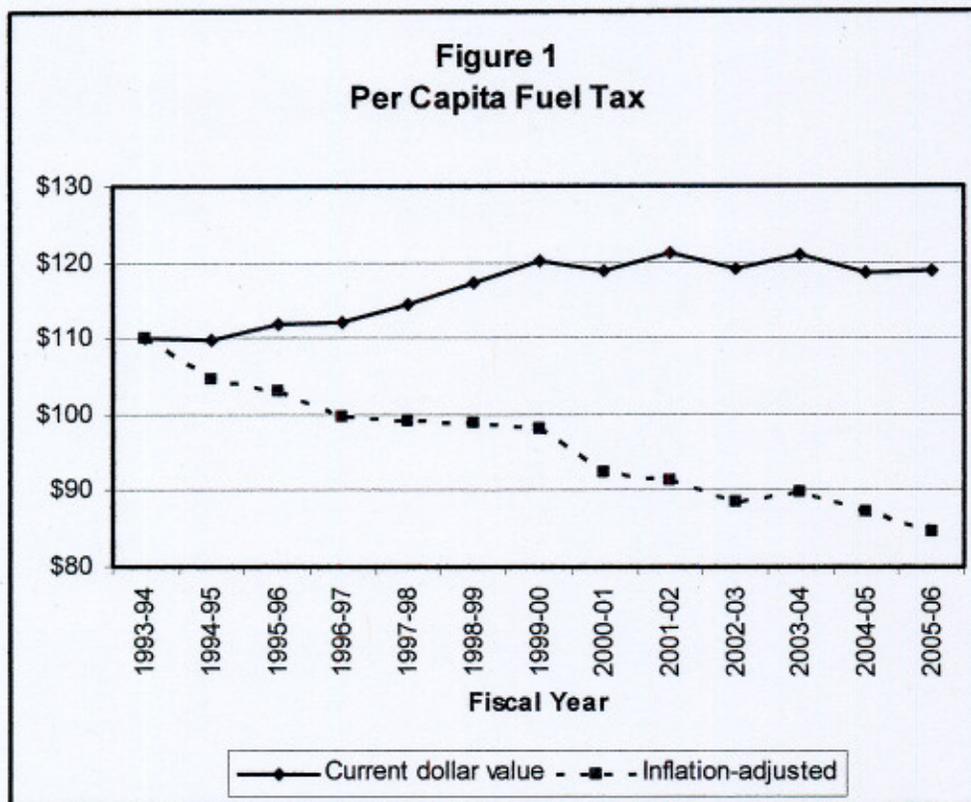
Under the assumption that the 1997 estimate was reasonably correct and applying our estimates of annual registrations, a preliminary analysis indicates that a new wheels tax could raise \$1.14 billion through FY 2034-35 if voters approve it at the 2008 general election. After adjusting for inflation, the increase is \$739.9 million in 2008 dollars. These figures will need additional research to confirm their accuracy. A question exists as whether the proposed increase is a tax or a fee.

Question: What is the per capita fuel tax revenue collected in Colorado?¹

Per capita fuel tax revenue increased steadily from nearly \$110 in FY 1993-94 to just over \$120 in FY 1999-00. Per capita fuel taxes have remained in a narrow range during the past seven years. The state's recession, slow recovery, and higher gasoline prices have limited per capita consumption during this period.

Figure 1 indicates the per capita revenue on a nominal basis and an inflation-adjusted basis using the Denver-Boulder-Greeley consumer price index. Inflation has eroded per capita revenue to \$84.66, or by 23 percent, since 1993-94.

Our projections indicate that per capita revenue will remain in a narrow range from \$118 to \$121 (approximately the range over the past seven years) during the forecast period. Inflation will continue to erode fuel tax revenue.



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¹ The state population data and the Denver-Boulder-Greeley consumer price index were adjusted to a fiscal year basis for purposes of this brief.