

**STATE and LOCAL  
REVISED FISCAL IMPACT**

(replaces fiscal note dated February 15, 2010)

**Drafting Number:** LLS 10-0845  
**Prime Sponsor(s):** Sen. Scheffel

**Date:** April 13, 2010  
**Bill Status:** Senate Appropriations  
**Fiscal Analyst:** David Porter (303-866-4375)

**TITLE:** CONCERNING THE REGISTRATION OF EQUIPMENT MOUNTED ON A MOTOR VEHICLE.

<b>Fiscal Impact Summary</b>	<b>FY 2010-2011</b>	<b>FY 2011-2012</b>
<b>State Revenue</b> Cash Funds Highway Users Tax Fund – CSTAR Account	Minimal Decrease	
<b>State Expenditures</b> General Fund* School Finance Act**	\$ 34,601	Potential Increase
<b>FTE Position Change</b>		
<b>Effective Date:</b> July 1, 2010.		
<b>Appropriation Summary for FY 2010-2011:</b> None required.		
<b>Local Government Impact:</b> See Local Government Impact section.		

\* No separate appropriation of these funds is required because of ongoing appropriations to the Department of Revenue for computer programming provided in the Long Bill for new legislation.  
\*\* This expenditure could be from the General Fund or the State Education Fund.

*This fiscal note incorporates amendments adopted by the Senate Transportation Committee.*

**Summary of Legislation**

Under current law, if a vehicle has equipment weighing over 500 pounds attached to it that is an integral part of the vehicle's operation, the equipment is typically considered "mounted equipment." Mounted equipment is registered by including its taxable value in the calculation of the vehicle's specific ownership taxes (e.g., a mounted generator). Vehicles that are not designed primarily for the transportation of people or cargo but can be operated on roadways are considered mobile machinery (e.g., a backhoe). Mobile machinery is registered and taxed separately from the vehicle that it is attached to.

This *amended* bill identifies a new category of equipment, "power takeoff equipment." Power takeoff equipment is equipment that is attached to the vehicle and is powered by the vehicle's engine. For example, the dump box of a dump truck could be classified as power takeoff equipment. Power takeoff equipment will be registered in the same manner as mounted equipment—by including its taxable value in the calculation of the vehicle's specific ownership taxes.

## **Background**

***Specific Ownership Tax.*** In addition to vehicle registration fees, Colorado imposes a specific ownership tax on motor vehicles in lieu of a property tax. For all vehicles except those used in interstate commerce, specific ownership tax revenue remains within the county where the vehicle is based. Revenue is allocated to local governments within the county (municipalities, school districts, special districts, and the county itself) based on property tax collections. Vehicles used in interstate commerce pay specific ownership taxes and registration fees that are apportioned among each of the states in which a vehicle travels based on the miles traveled in each state. Within Colorado, specific ownership tax revenue from interstate vehicles is allocated to counties based on the number of highway miles in each county, regardless of the county in which the vehicle is based.

## **State Revenue**

Registration of mounted equipment includes a \$0.50 fee for each transaction. To the degree the bill reduces the number of registrations, state revenue will decrease. The reduction in revenue is expected to be minimal. For more discussion on the impact of this bill on registrations, refer to the Local Government Impact section.

## **State Expenditures**

State expenditures under this bill are **\$34,601 in FY 2010-11** in the Department of Revenue. In FY 2011-12, an increase in Department of Education expenditures is expected but has not been quantified at this time.

***Department of Revenue.*** Expenditures in the Department of Revenue are for programming of the Colorado Vehicle Credentials System and the International Registration Plan – systems that track vehicle registrations and taxable value. Programming work is expected to require 882 hours at \$39.23 per hour and will be complete by January 1, 2011. No appropriation is necessary for these costs because of ongoing appropriations to the department for computer programming provided in the Long Bill for new legislation.

***Colorado Department of Education.*** The bill is expected to reduce specific ownership taxes by an unknown amount each year, starting in FY 2010-11. Under the School Finance Act, specific ownership taxes provide a source of local funding that offsets the need for state aid. If specific ownership taxes decrease, state aid is required to backfill any reduction in such funding. The backfill amount is estimated as 29 percent of the reduction in revenue and occurs in the year after the revenue decreases. No estimate of the reduction in revenue has been made at this time. The Local Government Impact section of this fiscal note has more information about power takeoff equipment.

**Local Government Impact**

This bill may change the way that specific ownership taxes are collected for certain equipment. Since power takeoff equipment is not identified in registration data, it is difficult to estimate the number of qualifying vehicles and revenue impact of the bill. Further complicating estimates, the treatment of qualifying power takeoff equipment varies depending on the registration procedures of the county and the type of equipment and vehicle being registered. For equipment that qualifies as power takeoff equipment under the bill, the most likely revenue changes are as follows:

- P If it is currently registered as mobile machinery —
  - R *revenue will be reduced* since the mobile machinery will be added to the vehicle's taxable value and the tax rates for these vehicles are slightly lower than that of mobile machinery; or
  - R *revenue will be reduced* for equipment that is currently both included in the vehicle's taxable base and is issued a mobile machinery registration because mobile machinery registration revenue will no longer be collected.
- P If it is currently neither registered as mobile machinery nor included in the calculation of the vehicle's taxable value —
  - R *revenue will increase* since the equipment will be included in calculation of the vehicle's taxable value.
- P If it is currently registered as mounted equipment and is added into the calculation of the vehicle's taxable value —
  - R *no change in revenue* for this equipment.

The first scenario above is expected to be most common occurrence, hence the expectation that this bill will reduce specific ownership tax collection.

**Departments Contacted**

Revenue      Transportation