TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

SB 323 – HB 1544

March 11, 2021

SUMMARY OF BILL: Authorizes vehicle owners and lessees to renew their registration plates for a 24-month period rather than the current 12-month period, with a fee to offset the revenue otherwise generated by that of a 12-month registration, beginning January 1, 2022.

Authorizes the Department of Revenue (DOR) to establish a system of registration renewals at alternate intervals that allows for a uniform distribution of the registration workload.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – $55,812,500/FY21-22/Highway Fund
$2,937,500/FY21-22/General Fund

Increase Local Revenue - $27,547,000/FY21-22

Assumptions:

- For the purposes of this analysis, it is assumed that all fees, including county fees and taxes, will double with the issuance of a 24-month registration plate to offset the revenue otherwise generated by that of a 12-month registration.
- Pursuant to Tenn. Code Ann. § 55-4-111(a)(1), motor vehicle registration fees vary based on the vehicle registered.
- According to information provided by DOR, the two-year average of registration fee revenue collected in FY18-19 and FY19-20 was $234,934,468.
- It is assumed that, in the absence of this legislation, annual registration fee revenue would total $235,000,000 into perpetuity.
- This legislation applies to plates issued or renewed on or after January 1, 2022.
- In the second half of FY21-22, it is estimated that approximately 50 percent of registrants will elect to renew on a two-year cycle and 50 percent of registrants will elect the current, one-year cycle.
- The half year impact in FY21-22 and 50 percent of people selecting the two-year option will result in a 25 percent increase in revenue (50% x 50%) from this portion of the population paying double the fees. There will be an increase in state revenue in FY21-22 of $58,750,000 ($235,000,000 x 25%) and a corresponding decrease in state revenue of $58,750,000 in FY22-23 when these renewals would have otherwise been paid.

- In the first half of FY22-23, approximately 50 percent of registrants will elect to renew on a two-year cycle and 50 percent of registrants will elect the current, one-year cycle.
- The half year impact and 50 percent of people selecting the two-year option will result in a 25 percent increase in revenue (50% x 50%). There will be an increase in state revenue in FY22-23 of $58,750,000 ($235,000,000 x 25%).
- The net impact in FY22-23 is estimated to be not significant ($58,750,000 - $58,750,000).
- In FY23-24 and subsequent years all impacts will offset; therefore, any net impact is estimated to be not significant.
- Approximately 95 percent of motor vehicle registration fees are allocated to the Highway Fund; the remaining 5 percent is allocated to the General Fund.
- The increase in revenue to the Highway Fund, in FY21-22, is estimated to be $55,812,500 ($58,750,000 x 95%); the increase in revenue to the General Fund, in FY21-22, is estimated to be $2,937,500 ($58,750,000 x 5%).
- Pursuant to Tenn. Code Ann. § 5-8-102, each county is authorized to levy a privilege tax, commonly known as the wheel tax.
- Fifty-nine out of 95 counties in Tennessee impose a motor vehicle privilege tax. The average tax rate among the 59 counties that impose the tax is estimated to be $47.00. It is assumed that local motor vehicle privilege taxes will double for 24-month registrations.
- There are at least 2,300,000 vehicles registered in Tennessee according to market data portal, Statista.
- The increase in local revenue in FY21-22 is estimated to be $27,025,000 (2,300,000 x 25% x $47).
- The federal Clean Air Act requires Environmental Protection Agency (EPA) to set National Ambient Air Quality Standards (NAAQs) and states are required to implement those standards through a state implementation plan (SIP). Based on EPA regulations, the state has flexibility to revise our SIP if the state can demonstrate to EPA that the changes will not interfere with the state's ability to maintain compliance with the NAAQs. Such revisions to the SIP must be approved by EPA.
- Tennessee's motor vehicle registration system is currently used as the enforcement mechanism for the inspection and maintenance
- Public Chapter 953 was enacted by the 110th General Assembly, which prohibited the employment of a vehicle emissions testing program on or after the effective date. According to the terms of the public chapter, this prohibition takes effect 120 days after EPA approves removal of the program from the state's SIP.
- In February 2020, the Tennessee Department of Environment and Conservation (TDEC) submitted a proposed revision of the SIP to the EPA to remove the requirement to operate the vehicle emission testing program in Tennessee 120 days following approval of the SIP revision by EPA.
- According to TDEC, it is anticipated that the SIP amendment will be approved and the prohibition will take effect prior to January 1, 2022. Therefore, the proposed legislation is estimated to not have a significant impact on state revenue or expenditures, as related to emissions testing.

- The Metropolitan Nashville-Davidson County Government (MNDC) is the only county government which requires residents to undergo emissions testing and it currently contracts with a vendor, rather than with TDEC, to operate the emissions testing facilities.
- MNDC collected an average of $2,088,177 net profit between 2016 and 2019 from fees collected from emissions testing. This number is assumed to remain constant into perpetuity under current law.
- There will be an increase in local revenue of $522,044 in FY21-22 ($2,088,177 x 25%) to MNDC.
- The total increase in local revenue in FY21-22 is estimated to be $27,547,044 ($27,025,000 + $522,044).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Bojan Savic, Interim Executive Director

/jg