



March 19, 2023

SUMMARY OF BILL AS AMENDED (005910): Authorizes private, non-commercial vehicle owners and lessees to renew their standard or “In God We Trust” registration plates for a 24-month period rather than the current 12-month period, with fees to offset the revenue otherwise generated by that of a 12-month registration, beginning January 1, 2024. Requires the local motor vehicle privilege tax for a 24-month period equal twice the amount of the tax imposed for a 12-month period. Specifies that private, non-commercial, vehicle owners and lessees are not entitled to a refund of the registration fee from the Department of Revenue (DOR) or the county issuing the registration.

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

Earmarks, beginning FY24-25, a sum from the county general funds to hold harmless the loss of fee revenue to county clerks resulting from the increase in the duration of the registration period, if requested by the county.

ESTIMATED FISCAL IMPACT OF BILL AS AMENDED:

**Increase State Revenue – \$30,307,600/FY23-24/Highway Fund
\$618,500/FY23-24/General Fund**

Increase Local Revenue - \$38,337,100/FY23-24

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 55-4-111(a)(1), motor vehicle registration fees vary based on the vehicle registered. Currently, 12-month registrations for passenger motor vehicles and motor homes is \$23.75 and 12-month registrations for motorcycles or autocycles is \$16.75.
- According to information provided by DOR, there are currently approximately 5,100,000 passenger vehicles and 154,000 motorcycles registered with a standard license plate or an “In God We Trust” license plate.
- In the second half of FY23-24, it is estimated that approximately 50 percent of passenger vehicle and motorcycle registrants will elect to renew on a two-year cycle and 50 percent of passenger vehicle and motorcycle registrants will elect the current, one-year cycle.

- The half-year impact in FY23-24 of 50 percent of passenger vehicle and motorcycle registrants selecting the two-year option will result in a 25 percent increase in passenger vehicle and motorcycle standard or “In God We Trust” plates (50% x 50%) from this portion of the population paying double the fees.
- The increase in state revenue in FY23-24 is estimated to be \$30,926,125 [(5,100,000 passenger vehicles x 25% x \$23.75) + (154,000 x 25% x \$16.75)].
- Pursuant to Tenn. Code Ann. § 55-6-107(a)(1), such revenue shall be apportioned by a distribution of 98 percent to the Highway Fund and 2 percent to the General Fund.
- The increase in state revenue in FY23-24 is estimated to be \$30,307,603 (\$30,926,125 x 98%) to the Highway Fund and \$618,523 (\$30,926,125 x 2%) to the General Fund.
- In FY24-25, total passenger vehicle and motorcycle registrations will increase in the first half of the year due to the other half of registrants being eligible to register for a two-year plate; this will be offset by an equal decrease due to the FY23-24 registrations that will no longer be due for renewal in FY24-25.
- Any impact on passenger vehicle and motorcycle registration revenue in FY24-25 and subsequent years is estimated to be not significant.
- As required by the legislation, DOR will set fees at such rates that any impact on fee revenue is estimated to be not significant.
- 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. The proposed legislation requires that the local motor vehicle privilege taxes double for 24-month registrations in counties imposing a motor vehicle privilege tax.
- For the purposes of this analysis, it is assumed that 62.1 percent (59 / 95) of total vehicles registered in the state are subject to the wheel tax.
- The increase in local revenue in FY23-24 is estimated to be \$38,337,125 (5,100,000 x 25% x 62.1% x \$47) + (154,000 x 25% x 62.1% x \$47).
- In FY24-25, motor vehicle privilege tax revenue from passenger vehicles and motorcycles will increase in the first half of the year due to half of passenger vehicle and motorcycle registrants on a two-year cycle; this will be offset by an equal decrease due to the FY23-24 registrations that will no longer paying the motor vehicle privilege tax in FY24-25.
- Any impact on motor vehicle privilege tax revenue from passenger vehicles and motorcycles in FY24-25 and subsequent years is estimated to be not significant.
- Vehicle emissions testing in most Tennessee counties with such a program ended on January 14, 2022 upon Environmental Protection Agency’s approval of a revision to the state’s air quality plan. In addition, Metro Nashville’s Council recently voted to cease operations of its emissions testing program, effective February 5, 2022. Therefore, no vehicle emissions testing programs will be in operation in FY23-24 and subsequent years.

CERTIFICATION:

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

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

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