

Section 2: Amends KRS 138.660 Emergency Effective Date: July 1, 2020

Creates a surtax to be paid by heavy equipment motor carriers of \$0.043 cents per gallon on gasoline and \$0.072 cents per gallon on special fuels. This is the base rate and it will be adjusted annually as provided in Section 3.

Section 3: New Section to KRS Chapter 138 Emergency Effective July 1, 2020

Establishes parameters for an annual adjustment to the supplemental highway motor fuel tax and sets minimum and maximum adjustment limits.

Section 4: New Section to KRS Chapter 186 Effective January 1, 2021

Establishes an electric vehicle highway user fee to be collected by county clerks upon registration and at annual renewal. The base fee is \$200. For each two tenths of one cent change in motor fuel vehicle tax, the electric vehicle highway user fee will correspondingly change by \$1 dollar. It also establishes a highway preservation fee that will be collected from owners of all noncommercial motor vehicles, based on the combined city/highway fuel efficiency rating. All of these funds collected by the clerk will be sent to the road fund.

Section 7: Amends KRS 186.020 Effective Date: January 1, 2021

Removes the \$2 dollar fee clerks receive for vehicle registrations completed online or by mail. There were approximately 153,000 online registration renewals. Data on registrations renewed by mail was not retained.

Section 8: Amends KRS 186.040 Effective Date: January 1, 2021

Except for apportioned vehicles registered under subsection (13) of **Section 9** and as provided in **Section 10**, the clerk's fee for issuing a certificate of registration and a license plate is raised from \$6 dollars to \$8 dollars. If the registration period is for longer than 12 months, the fee is raised from \$9 dollars to \$10 dollars. There were approximately 3.89 million certificates of registration processed in 2019. This legislation also removes the \$30 dollar fee for registration of vehicles with any towed unit of 44,001 pounds or greater. There were approximately 28,700 of these vehicles in 2018. 2019 data was not provided.

Section 9: Amends KRS 186.050 Effective Date: January 1, 2021

Increases the annual motor vehicle registration fee for non-commercial passenger vehicles including trucks and passenger vans designed to carry 15 passengers or less; commercial vehicles (all motor vehicles having a declared gross weight of the vehicle and any towed unit greater than 10,000 pounds unless otherwise excepted; from \$11.50 to \$22 dollar. The annual registration fee for motorcycles shall be \$15 dollars, an increase of \$6 dollars and recreational vehicles will be subject to a \$10 dollar increase to \$30 dollars, up from \$20 dollars. The clerk's portion of these fees is \$2 dollars as amended by **Section 8**. Total registrations for the above vehicles was approximately 3.43 million.

This section also imposes an additional \$10 dollar fee for motor vehicle registrations not renewed within 30 days of its expiration. These funds are transferred to the road fund.

This section also applies the electric vehicle registration fee and highway preservation fee established in **Section 4**.

Section 10: Amends KRS 186.162 **Effective Date: January 1, 2021**

Increases the clerk's portion of the fee for issuing or renewing special license plates from \$6 dollars to \$8 dollars. There were approximately 393,000 special license plates issued or renewed.

Section 11: Amends KRS 186.180 **Effective Date: January 1, 2021**

Applies the \$20 reinstatement fee to **all** vehicles whose vehicle registrations have been revoked instead of just those whose registrations were revoked for failing to meet vehicle emission standards (KRS 186.290). The fee is split evenly between county clerks and the cabinet. The Transportation Cabinet stated that data on revoked and reinstated vehicle registrations was not maintained.

Section 17: Amends KRS 186A.130 **Effective Date: 90 days after sine die**

Increases clerk's fee for each application for certificate of title from \$9 dollars to \$25 dollars. The clerk's fee portion is increased by \$2 dollars, from \$6 dollars. It raises the application fee for each speed title to \$40 dollars from \$25 dollars. Clerks retain an additional \$3 dollars, up from \$5 dollars. Replacement or corrected titles fees are increased from \$6 dollars to \$10 dollars, but the clerk's fee for this does not change. There were approximately 1.35 million application for titles and 78,900 speed titles processed.

The total approximate increase in revenues to county clerks as a result of the implementation of Sections 7 to 11 and Section 17 is \$16,180,000 dollars. This amount includes a reduction for lost revenue of approximately \$1,167,000 dollars from the elimination of online registration fees and registration fees for vehicles exceeding 44,000 pounds.

Section 22: Amends KRS 177.320 **Emergency** **Effective Date: July 1, 2020**

Adds language regarding revenue sharing arising from the implementation of motor vehicle fuel tax provided in **Section 1**, **Section 2** subsections (1) and (2), and **Section 30**. If funds are less than or equal to \$825 million, 18.3% of those funds shall be set aside for the construction, reconstruction and maintenance of county roads and bridges and shall be allocated to the county.

In any year the fuels tax is greater than \$825 million, \$150,975,000 dollars and 13% of those funds in excess of \$825 million dollars shall be set aside for the construction, reconstruction and maintenance of county roads and bridges and shall be allocated to the county.

Section 23: Amends KRS 177.365 **Emergency** **Effective Date: July 1, 2020**

Establishes revenue sharing criteria arising from the implementation of taxes provided in **Section 1**, **Section 2** subsections (1) and (2), and **Section 30**. If available funds are less than or equal to \$825 million dollars, 7.7% shall be set aside by the Finance and

Administration Cabinet for the construction, reconstruction and maintenance of urban roads and streets.

In any year that available funds exceeds \$825 million dollars, the Finance and Administration Cabinet will set aside \$63.525 million dollars plus 13% of those funds in excess of \$825 million dollars, for the construction, reconstruction and maintenance of urban roads and streets.

Revenues from the motor fuels excise tax and the supplemental highway user motor fuels tax are statutorily shared with local governments. **Applying Sections 22 and 23, the total funds available for revenue sharing to local governments for FY 2021 is expected to be approximately \$265,000,000 and approximately \$279,000,000 dollars for FY 2022. This is approximately a \$78,332,000 and a \$91,317,000 increase over current expectations for FY 2021 and FY 2022 respectively.**

Section 24: Amends KRS 138.4603 Emergency Effective Date: July 1, 2020

Establishes that the retail price for sales of new motor vehicles on or after the effective date of this Act, shall be determined by reducing the amount of total consideration given, by the trade-in allowance of a motor vehicle traded in by the buyer, up to a maximum of \$15,000 dollars. Previously, there was no limitation on the value of the trade-in allowance. This measure will increase the amount of sales or use tax collected by the county clerks. County clerks retain 3% of the tax collected and remit the remainder to the Transportation Cabinet. In 2019, there were approximately 57,200 new vehicle registrations that included a trade allowance. The average trade-in on the purchase of new vehicles was approximately \$14,900. In six months in 2019, the average trade-in value was \$15,260.

Assuming new car sales that include a trade-in remain similar to 2019 and the average trade-in value is approximately \$15,260, the average retail price of a new vehicle would increase \$260. This would equate to additional revenue to the county clerks of approximately \$446,000 dollars (57,200 sales x \$260 x 3%).

The overall fiscal impact of HB 580 on local governments is indeterminable, expected to have a moderately positive impact.

Section 34—Repeals KRS 138.228
KRS 138.4602
KRS 175.505

Section 35—Declares an emergency exists and Sections 1 to 3 and 22 to 25 of this ACT take effect July 1, 2020

Section 36—Sections 4, 5, 7 to 12 of this ACT take effect January 1, 2021.

Part III: Differences to Local Government Mandate Statement from Prior Versions

The Part II section above pertains to the bill as introduced.

Data Source(s): LRC Staff, Kentucky Transportation Cabinet, KYTC DataMart Statewide Vehicle Counts as of December 31, 2019, Kentucky Department of Revenue

Preparer: Mark Offerman **Reviewer:** KHC **Date:** 3/4/20