

Section 2: Amends KRS 138.660 **Effective Date: July 1, 2021**

- Changes the calculation for the surtax to be paid by heavy equipment motor carriers from two percent of the average wholesale price to a cost per gallon calculation.
- Initial base rate of \$0.043 cpg on gasoline and \$0.072 cpg on special fuels.
- To be adjusted annually as provided in **Section 3**.

Section 3: New Section to KRS Chapter 138 **Effective July 1, 2021**

- Establishes the base rates of the taxes in **Sections 1 and 2**.
- Beginning July 1, 2022 and thereafter, the taxes shall be adjusted annually by the change in the National Highway Construction Cost Index 2.0 (NHCCI 2.0). Increases are capped at 10% of the previous fiscal year rates and decreases are limited to 2% of the previous fiscal year but in no case shall be less than the initial base rate.

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

- Establishes the **electric vehicle highway user fee** to be collected by county clerks upon initial registration and at renewal nonhybrid electric vehicles.
- The base floor for the electric vehicle highway user fee shall be \$150.
- 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.
 - 30-39 mpg \$35
 - 40 MPG or more \$40
- 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 requirement that the owner's registration receipt be submitted with application for registration to county clerk.
- Removes the \$2 dollar fee clerks receive for vehicle registrations completed by mail. Permits for online renewal of registration without a fee. There were approximately 153,000 online registration renewals in FY 2019. In FY 2020, there were 306,362. The increase is attributed to COVID-19 and is not considered normal. 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**, 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 3.7 million certificates of registration processed in FY 2020. This legislation also removes the \$30 dollar fee for registration of vehicles with any towed unit of 44,001 pounds or greater. There were 19,293 of these vehicles in FY 2020.

Section 9: Amends KRS 186.050

Effective Date: January 1, 2021

- Increases the annual registration fee on the following motor vehicles from \$11.50 to \$22:
 - Motor vehicles including pickup trucks and passenger vans;
 - Motor carrier vehicles designed to carry 15 people or less;
 - All motor vehicles having a declared gross weight of the vehicle and any towed unit less than 10,000 pounds or less;
 - Farm trucks with declared gross weight of 26,000 pounds or less;
 - Farm trucks having gross weight of 26,001 to 38,000 pounds;
 - School Bus and or church bus;
 - Wrecker with vehicle gross weight of 14,000 pounds or less.
- The portion of these fees retained by the county clerk is increased by \$2 dollars as amended by **Section 8**. Total registrations for the above vehicles was approximately 3.7 million.
- Increases the annual registration fee for motorcycles to \$15 dollars from \$9, an increase of \$6 dollars. There were 94,716 motorcycle registrations.
- Increases the annual registration fee for recreational vehicles to \$30 dollars from \$20. There were 11,026 recreational vehicle registrations.
- Creates a \$10 dollar fee for motor vehicle registrations not renewed within 30 days of its expiration. The number of late registrations was not provided.

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 a total of 458,398 special license plates issued or renewed in FY 2020.
- Increases fees for special license plates under KRS 186.164 (175,301 in FY 20);
 - \$41 initial registration fee from \$40 of which \$25 goes to the Transportation cabinet, the clerk's portion remains at \$6 and the supported cause remains at \$10. No impact to the clerks
 - \$41 renewal fee from \$28 which is allocated the same as the initial registration fee.

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. Removed exemption provided for in KRS 186.290 (vehicle emissions).
- 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 13: Amends KRS 186.531

- Increases reinstatement fee for relicensing after revocation or suspension to \$100 from \$40.
 - \$10 sent to photo license account, previously \$35

- \$5 to agency trust fund for driver improvement program, remains the same.
- \$85 to the road fund, which is new.
- The Transportation Cabinet stated this data was not available.

Section 15: Amends KRS 186A.130

- Certificate of Title application fee raised to \$25, from \$9.
 - Clerks retain an additional \$2 for a total of \$8
 - Cabinet receives \$17, up from \$3
- Replacement or corrected title fee raised to \$10 from \$6
 - Clerks retain \$4 and remains unchanged
 - Cabinet portion raised to \$6 from \$2
- Speed Title fee raised to \$40 from \$25
 - Clerks retain \$8, an increase of \$3
 - Cabinet to receive \$32 raised from \$20
- There were approximately 1.39 million application for titles, 12,088 replacement or corrected titles, and 65,488 speed titles processed in FY 20.

Section 16: Amends KRS 186A.245

- Application fee for duplicate certificate of title raised to \$10 from \$6
 - Clerk portion remains unchanged at \$4
 - Cabinet receives \$6 raised from \$2

Section 20: Amends KRS 177.320 Effective Date: July 1, 2021

- In any fiscal year the amount of funds available for revenue sharing from implementation of taxes in **Section 1, subsections (1) and (2) of Section 2, and Section 28**, is **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 provided by KRS 179.410 and 179.415.
- In any fiscal year the amount of funds available for revenue sharing from implementation of taxes in **Section 1, subsections (1) and (2) of Section 2, and Section 28**, is **greater** than \$825 million, the following amounts shall be set aside for the construction, reconstruction, and maintenance of county roads and bridges provided by KRS 179.410 and 179.415:
 - \$150,975,000; plus
 - 13% of those funds in excess of \$825 million

Section 21: Amends KRS 177.365 Effective Date: July 1, 2021

- In any year the amount of funds available for revenue sharing from implementation of taxes in **Section 1, subsections (1) and (2) of Section 2, and Section 28**, is **less** than or equal to \$825 million:
 - 7.7% of **those** funds shall be set aside for the construction, reconstruction and maintenance of urban roads and streets.
- In any year the amount of funds available for revenue sharing from implementation of taxes in **Section 1, subsections (1) and (2) of Section 2, and**

Section 28, is **greater** than \$825 million, the following amounts shall be set aside for the construction, reconstruction, and maintenance of urban roads and streets:

- \$63,525,000; plus
- 13% of those funds in excess of \$825 million

Section 22: Amends KRS 138.4603 **Effective Date: July 1, 2021**

- For motor vehicle sales on or after the effective date of this Act, the retail price shall be determined by reducing the total consideration by the given, by the trade-in allowance of any motor vehicle traded in by the owner, up to a maximum of \$25,000
- 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 the last six months of 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.

Section 31 repeals KRS

- 138.228 Calculation of average wholesale price of gasoline.
- 138.4602 Determination of motor vehicle retail price for sales on or after September 1, 2009, and before July 1, 2014.
- 175.505 Debt payment acceleration fund -- Revenue source -- Use to accelerate payment of turnpike authority debt.

Section 32—Sections 1 to 3 and 20 to 23 of this ACT take effect July 1, 2021

Section 36—Sections 4, 5, and 7 to 12 of this ACT take effect January 1, 2022.

The overall fiscal impact of HB 561 on local governments is expected to be positive, and range from moderate to substantial, depending on the size of the locality.

The total approximate increase in revenues to county clerks as a result of the implementation of Sections 7 to 11 and Section 17 is shown in Table 1 for FY 22 and FY 23.

Table 2 reflects the impact to the FY 22 road fund for counties and municipalities due to the allocation changes made by HB 561. Table 3 reflects the changes for FY 23.

Table 1

Impact on Road Funds or County Clerk	Estimated Road Fund Impacts	FY 2021-22	FY 2022-23
Road Fund	Electric vehicle registration fee (\$150)	\$191,700	\$457,600
	Highway Preservation Fee	\$6,301,400	\$12,602,800
	Driving history fee increase	\$5,775,000	\$6,300,000
Road Fund	Eliminate \$.50 Reflectorized Plate	(\$843,200)	(\$1,686,400)
Road Fund	License reinstatement fee increase	\$3,817,900	\$4,165,000
Road Fund	Duplicate or replacement Title fee increase	\$465,300	\$507,600
Road Fund	Traffic School fee increase	\$763,500	\$833,000
Road Fund	Single-trip overweight/over dimensional loads 200,000 lbs. or under	\$7,749,000	\$8,453,400
Road Fund	Single-trip overweight/over dimensional loads over 200,000 lbs.	\$4,510,400	\$4,920,400
Road Fund	Annual permit increase for loads 14 ft. or less	\$1,409,300	\$1,537,500
Road Fund	Annual permit increase for loads exceeding 14 ft.	\$446,800	\$487,500
Road Fund	CDL reinstatement fee increase*	Not available	Not available
County Clerk	• Motor fuels excise tax rate increase	\$301,333,700	\$370,569,100
County Clerk	• Change in heavy equipment motor carrier surtax rates	(\$14,553,700)	(\$14,670,800)
County Clerk	• Inventory tax increase	\$8,270,800	\$1,250,600
County Clerk	Vehicle registration fee increase	\$17,790,600	\$35,581,200
County Clerk	Motorcycle registration fee increase	\$285,200	\$570,500
County Clerk	RV registration fees increase	\$57,600	\$115,200
County Clerk	Late registration fee increase	\$2,048,600	\$4,097,300
County Clerk	Initial Certificate of Title fee increase	\$18,511,600	\$20,194,500
County Clerk	Application for Speed Title	\$867,600	\$946,500
County Clerk	Special license plate fee increases	\$1,490,900	\$2,981,800
County Clerk	Broaden imposition of fee for revocation of registration*	Not available	Not available
County Clerk	\$25,000 Cap on New Car Trade-in Allowance**	+indeterminable	+Indeterminable
	Total Road Fund Impacts	\$366,690,000	\$460,214,300
	Impact to County Clerks	\$336,102,900	\$421,635,900

*Kentucky Driver License System cannot identify the number of revoked registrations and cannot distinguish between regular and CDL reinstatements.

**Individual transaction data for each new car sale with a trade-in was not available.

Table 2

	Current Statutes	HB 561	HB 561 Impact
Estimated Motor Fuels Revenue Shared	FY 2022	FY 2022	Difference
Road Fund - 51.8%	\$364,941,360	\$517,777,615	\$152,836,255
Rural Secondary - 22.2%	\$156,403,440	\$221,904,692	\$65,501,252
County Road Aid - 18.3% under \$825M	\$128,927,160	\$150,975,000	\$22,047,840
County Road Aid - 13.0% over \$825M		\$22,694,189	\$22,694,189
Total County Road Aid	\$128,927,160	\$173,669,189	\$44,742,029
Municipal Road Aid - 7.7% under \$825M	\$54,248,040	\$63,525,000	\$9,276,960
Municipal Road Aid - 13.0% over \$825M		\$22,694,189	\$22,694,189
Total Municipal Road Aid	\$54,248,040	\$86,219,189	\$31,971,149
Total Motor Fuels Revenue Shared	\$704,520,000	\$999,570,686	\$295,050,686

Table 3

	Current Statutes	HB 561	HB 561 Impact
Estimated Motor Fuels Revenue Shared	FY 2023	FY 2023	Difference
Road Fund - 51.8%	\$364,941,360	\$549,944,478	\$185,003,118
Rural Secondary - 22.2%	\$156,403,440	\$235,690,491	\$79,287,051
County Road Aid - 18.3% under \$825M	\$128,927,160	\$150,975,000	\$22,047,840
County Road Aid - 13.0% over \$825M		\$30,766,954	\$30,766,954
Total County Road Aid	\$128,927,160	\$181,741,954	\$52,814,794
Municipal Road Aid - 7.7% under \$825M	\$54,248,040	\$63,525,000	\$9,276,960
Municipal Road Aid - 13.0% over \$825M		\$30,766,954	\$30,766,954
Total Municipal Road Aid	\$54,248,040	\$94,291,954	\$40,043,914
Total Motor Fuels Revenue Shared	\$704,520,000	\$1,061,668,877	\$357,148,877

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

Part II, above, pertains to the bill as drafted.

Data Source(s): Kentucky Transportation Cabinet, LRC Staff

Preparer: Mark Offerman **Reviewer:** KHC **Date:** 3/11/21