

# BDR 43-1052

## AB 326

### EXECUTIVE AGENCY FISCAL NOTE

AGENCY'S ESTIMATES

Date Prepared: March 29, 2015

Agency Submitting: Department of Motor Vehicles, Management Services and Programs Division

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
Basic Governmental Services Taxes Loss to Counties (Revenue)		(\$26,604,346)	(\$30,621,851)	(\$61,243,702)
Supplemental Governmental Services Taxes Loss to Counties (Clark & Churchill) (Revenue)		(\$5,923,654)	(\$6,223,567)	(\$12,447,134)
DMV's 6% Commission & GST Penalty Loss (Revenue)		(\$2,453,945)	(\$2,717,360)	(\$5,434,720)
General/Highway Funds Allocation Loss (Revenue)		(\$13,867,307)	(\$11,731,369)	(\$23,462,738)
Classic Vehicle Plate Loss (Revenue)		(\$1,960)	(\$1,960)	(\$3,920)
Letter for Plate Surrender (Expense)		\$101		
Contract Programming (Expense)		\$146,500		
Total	0	(\$48,997,813)	(\$51,296,107)	(\$102,592,214)

#### Explanation

(Use Additional Sheets of Attachments, if required)

BDR 43-1052, Section 1 proposes to remove light commercial vehicles from being eligible to be registered with CLASSIC VEHICLE special plates. Those passenger cars that qualify must be used for personal use and driven no more than 5,000 miles per year. The registered owner of the classic vehicle must have another passenger car or motorcycle registered during the entire registration period. The Department must verify the odometer reading upon renewal.

Section 2 proposes to reduce the depreciation factors used to calculate the Governmental Services Tax (GST) and the minimum GST amount to \$6. The change in the depreciation will reduce the 6% commission collected by the Department of Motor Vehicles (DMV) which will have a negative impact on the Department's 22% cap. Additionally, it will reduce the amount allocated to the General/Highway Fund per NRS 482.182.

The proposed implementation date of July 01, 2015, cannot be met as a result of the estimated programming hours needed to complete the requirements.

Due to the Department's existing programming priorities and mandates, funding for a computer systems Master Service Agreement programmer(s) is included in this fiscal note. The estimated contract programming hours are 1,465 at \$100 per hour for a total of \$146,500.

Name Amy McKinney

Title Chief of Administration

#### DEPARTMENT OF ADMINISTRATION'S COMMENTS

Date Friday, March 27, 2015

The agency's response appears reasonable.

Name Jim R. Wells, CPA

Title Interim Director

**Basis for Calculations Using the Following Assumptions:**

(1) SB 429 (2009) changed the depreciation factors used to calculate Basic Governmental Services Tax (BGST) and Supplemental Governmental Services Tax (SGST). This BDR proposes to return the depreciation factors to pre-SB 429 levels. This fiscal note compares revenues collected for BGST and SGST at the current factors to what would have been collected if the factors had not been changed by SB 429. The proposed impact of the BDR is calculated using the FY09 actuals (pre-SB 429) and projected using the current average growth rates and applying the current average percentage of funds allocated to the General Fund per NRS 482.182.

(2) The current average growth rates are based on the actual and projected revenues for registration fees, BGST, and SGST collected by the DMV. These figures are obtained from the Department's Taxes & Fees, History & Projections, Published: December 2014. The growth rate of -1.54% from FY09 to FY10 was obtained from Registration Fees collected. This figure is used as a basis for projecting the growth rate from FY09 to FY10 due to the change in SB 429.

(3) The impact cannot be based on a 10% reduction in GST due to the complexity of the calculation of GST. The depreciation schedule is only one piece of the formula to determine GST. The formula for calculating the BGST factors is  $(0.35 * \text{depreciation factor}) * 0.04$ . NRS 371.050 determines the valuation of the vehicle at 35% of the MSRP. NRS 371.060 lists the depreciation schedules. NRS 371.040 sets the annual amount at \$0.04. There are nine to ten depreciation factors based on the type and size of the vehicle. To determine the BGST, the factors are then multiplied by the Manufacturer's Suggested Retail Price (MSRP) of the vehicle.

(4) The formula for calculating the SGST factors is  $(0.35 * \text{depreciation factor}) * 0.01$ . To determine the SGST, the factors are then multiplied by the Manufacturer's Suggested Retail Price (MSRP) of the vehicle.

(5) Reductions in GST Commissions may require additional highway fund appropriations under the Department of Motor Vehicle's 22% cap. Additionally, reduction in the collection of GST will reduce the amount allocated to the General/Highway Fund per NRS 482.182 and the penalties collected on late payments.

(6) All remaining passenger cars that have CLASSIC VEHICLE plates will qualify to maintain those plates by having another registered passenger car or motorcycle and drive less than 5,000 miles annually. Verification of odometer reading can be absorbed by current Field Services inspection staff.

(7) CLASSIC VEHICLE plates incur an additional \$10 renewal fee in addition to the applicable registration fees.

(8) The number of CLASSIC VEHICLE plates issued to commercial light duty vehicles is based on FY14 actuals and left flat due to not being able to determine a growth percentage and the minimal amount currently licensed.

**Cost to Program the CARRS Application**

Title	Hourly Wage	Programming Hours	Programming Cost FY 16
Contract Programmer Cost	\$100.00	1,465	\$146,500

BDR /Bill/ Amendment #: **BDR 43-1052 AB326**

Agency Name: **Department of Motor Vehicles**

Division Name: **Management Services and Programs Division**

Date: **3/17/2015**

Descriptions	FY 14/15 (Based on FY14 Actuals)	FY 15/16	FY 16/17	Future Biennia (FY18 + FY19)
Basic Governmental Services Taxes Loss to Counties	\$0	-\$26,604,346	-\$30,621,851	-\$61,243,702
Supplemental Governmental Services Taxes Loss to Counties (Clark & Churchill)	\$0	-\$5,923,654	-\$6,223,567	-\$12,447,134
DMV's 6% Commission Loss	\$0	-\$1,504,449	-\$1,574,269	-\$3,148,538
General/Highway Fund Allocation Loss	\$0	-\$13,867,307	-\$11,731,369	-\$23,462,738
Governmental Services Tax Penalties Loss to DMV	\$0	-\$949,496	-\$1,143,091	-\$2,286,182
CLASSIC VEHICLE Plate Loss	\$0	-\$1,960	-\$1,960	-\$3,920
Letter for Plate Surrender	\$0	-\$101	\$0	\$0
Contract Programming Cost	\$0	-\$146,500	\$0	\$0
<b>TOTAL</b>	<b>\$0</b>	<b>-\$48,997,813</b>	<b>-\$51,296,107</b>	<b>-\$102,592,214</b>