

February 9, 2012

The Honorable Gary Hayzlett, Chairperson
House Committee on Transportation
Statehouse, Room 274-W
Topeka, Kansas 66612

Dear Representative Hayzlett:

SUBJECT: Fiscal Note for HB 2557 by House Committee on Transportation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2557 is respectfully submitted to your committee.

Beginning January 1, 2012, HB 2557 would require an annual commercial vehicle fee on any truck or truck tractor registered for a gross weight of more than 10,000 pounds which is operating in Kansas as a commercial vehicle. As defined in the bill, "commercial vehicle" means any self-propelled or towed motor vehicle in commerce that is used to transport property or passengers. The bill would redefine "fleet motor vehicle" to exclude commercial vehicles, as defined in the bill. The revenue generated from the annual commercial vehicle fee would be credited to the State General Fund and transferred to the Special City and County Highway Fund. Fees collected from motor carriers not based in Kansas would be credited entirely to the State General Fund. The proposed fee schedule would be as follows:

<u>Weight Group</u>	<u>Vehicle Group</u>	<u>Fee</u>
Up to 12,000 pounds	1 to 3 years	\$250.00
12,000 pounds	4 to 6 years	\$200.00
12,000 pounds	7 years and older	\$150.00
16,000 to 24,000 pounds	All Ages	\$250.00
26,000 to 36,000 pounds	All Ages	\$300.00
42,000 to 54,000 pounds	All Ages	\$350.00
60,000 pounds and up	All Ages	\$400.00

Upon payment of the annual commercial vehicle fee and applicable fees, the Department of Revenue would be required to provide for the registration of and the issuance of license plates for commercial motor vehicles. License plates issued under HB 2557 would be permanent in nature and designed to remain with the commercial motor vehicle for the duration of the life of the vehicle or until it is deleted from the owner's fleet. The license plates would be distinctive, containing the word "commercial" and with no date. The license plates would not be transferable to any other commercial motor vehicle, except that the unused registration fee may be transferred to another commercial motor vehicle which is registered at the same or greater weight.

Each commercial vehicle defined in HB 2557 would also be assessed a registration fee of \$4 which would be remitted as follows: (1) \$2 to the State Treasurer to be credited to the newly created Commercial Vehicle Administrative System Fund; and (2) \$2 to the county treasurers to be deposited in a special fund. The bill would provide that the funds collected in the Commercial Vehicle Administrative System Fund are to be used by the Department of Revenue solely for the operation, maintenance, and enhancement of the work processes, computer hardware and software, and equipment associated with the Division of Vehicle's functions related to commercial motor vehicles.

The commercial vehicles defined in the bill would be excluded from those vehicles required to be valued and assessed by the county appraiser and excluded from the motor vehicles required to be registered under Article 1 of Chapter 8 of the *Kansas Statutes Annotated*, also known as the "tag and tax" law. HB 2557 would eliminate the Motor Carrier Property Tax on over-the-road motor vehicles and rolling equipment of motor carriers. The provisions related to this tax would sunset on January 1, 2014. Also, on January 1, 2014, the assessment percentage for the commercial vehicles defined in this bill would be eliminated. The bill includes various technical amendments.

The Department of Revenue indicates that the fee schedule contained within HB 2557 is the result of consultations with its Division of Property Valuation (PVD); representatives of large, medium, and small counties; and the Kansas Motor Carriers Association. The Department asserts that every effort was made to construct the fee schedule in a manner that would make it revenue neutral with regard to the Motor Carrier Property Tax the new fee would replace at the county level. The Department estimates that the \$2 administrative fee that would be deducted from the \$4 administrative fee and credited to the Commercial Vehicle Administrative System Fund would generate approximately \$350,000 in FY 2014 and each subsequent year. The other \$2 is currently used at the county level to fund the county treasurers' motor vehicle operation.

The Department indicates that PVD's Motor Carrier section employs six full-time and two temporary employees to mail tax bills, process late filings and corrections, process payments and collection efforts, mail delinquent notices, and maintain records for approximately 35,000 to 38,000 carries annually. Annual costs for this section also include contracting with the Department of Administration to print rendition forms and tax statements for each carrier, distributing funds from the PVD to mail services for postage and handling, and purchasing office equipment, paper, and printing supplies. In addition, PVD requires substantial support from Information Services (IS) to maintain and update the production file and accounting system. With the elimination of the Motor Carrier Property Tax, PVD indicates, IS support will no longer be required and the six full-time and two part-time positions will no longer be needed.

The Department estimates that these reductions in costs would eliminate approximately \$368,900 from the Division of Vehicles Operating Fund in FY 2014. This amount includes \$321,900 in salary and wage expenditures, \$43,000 in contractual services expenditures, and \$4,000 in expenditures for commodities. Although the administration of the commercial fee would be less burdensome than the current property tax, the Department estimates that the bill would increase its FY 2014 expenditures in the Motor Carrier Services Division by

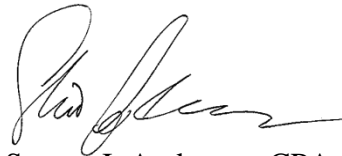
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approximately \$1,051,834 from the Division of Vehicles Operating Fund. This estimate includes \$142,536 in salaries and wages for three new positions; one-time other operating expenses of \$13,209; and annual other operating expenses of \$2,439. The estimate also includes \$392,000 to manufacture 80,000 new commercial vehicle license plates at \$4.90 each and \$501,650 for 3,175 hours to program the commercial vehicle system. However, the Department indicates it has discussed with the Department of Transportation, the possibility of asking the Federal Motor Carrier Safety Administration to redirect some funding to cover the programming costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Steve Neske, Revenue