



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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May 31, 2007

Joint Committee on Finance

Paper #764

### **Automobile and Light Truck Vehicle Registration Fee Increases (DOT -- Transportation Finance)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 530, #4]

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#### **CURRENT LAW**

The annual registration fee for automobiles (a category that is defined to include passenger vans and sport utility vehicles) is \$55. The registration fee for motor trucks is based on their gross weight (this includes both the weight of the vehicle and the weight of the maximum load the owner intends to carry with the truck). Trucks that are 8,000 pounds and less are considered to be light trucks and are generally pickup trucks and cargo vans. For the purpose of vehicle registration, there are three weight classifications for light trucks. The fees for each weight class are as follows: (a) \$48.50 for trucks 4,500 pounds or less; (b) \$61.50 for trucks that are more than 4,500 pounds but not more than 6,000 pounds; and (c) \$77.50 for trucks that are more than 6,000 pounds but not more than 8,000 pounds. Registration fees for trucks over 8,000 pounds range from \$119.50 for a truck up to 10,000 pounds to \$1,987.50 for a tractor-semi trailer combination weighing 80,000 pounds.

#### **GOVERNOR**

Increase the vehicle registration fee for automobiles by \$20, from \$55 to \$75. Increase the registration fees for light trucks, as follows: (a) by \$26.50, from \$48.50 to \$75, for trucks not more than 4,500 pounds; (b) by \$22.50, from \$61.50 to \$84, for trucks not more than 6,000 pounds; and (c) by \$28.50, from \$77.50 to \$106, for trucks not more than 8,000 pounds. Specify that these increases would become effective on October 1, 2007, or the day after publication of the bill, whichever is later. Increase estimated transportation fund revenue by \$70,952,200 in 2007-08 and \$96,627,200 in 2008-09 to reflect these increases.

## DISCUSSION POINTS

1. The following table shows the registration fee increases proposed under the bill, as well as the estimated revenue generated by the increases within each affected vehicle class. Over the biennium, the vehicle registration fee increases would generate an estimated \$167,579,400.

<u>Type of Vehicle</u>	<u>Current Fee</u>	<u>Proposed Fee</u>	<u>Estimated Revenue</u>	
			<u>2007-08</u>	<u>2008-09</u>
Automobile	\$55.00	\$75.00	\$53,005,300	\$71,887,700
Light Trucks				
Under 4,500 Pounds	\$48.50	\$75.00	\$6,831,500	\$9,417,100
4,500 Pounds to 6,000 Pounds	61.50	84.00	7,500,200	10,338,900
6,000 Pounds to 8,000 Pounds	77.50	106.00	<u>3,615,200</u>	<u>4,983,500</u>
Total for Light Trucks			\$17,946,900	\$24,739,500
Grand Total			\$70,952,200	\$96,627,200

2. In addition to the registration fee increases, the bill would generate increased transportation fund revenues by creating a 2.5% oil company assessment (\$116,570,000 in 2007-08 and \$158,280,000 in 2008-09), creating a \$10 federal security mandate fee for driver's licenses and identification cards (\$6,915,900 in 2007-08 and \$13,831,900 in 2008-09), and increasing the supplemental vehicle title fee by \$2.00 (\$2,151,000 in 2007-08 and \$2,868,000 in 2008-09). The total estimated transportation fund revenue generated by vehicle registration fee increases and these other revenue increases in the bill is \$196,589,100 in 2007-08 and \$271,607,100 in 2008-09.

3. The bill contains several provisions that would use transportation fund revenues to assist the general fund. These measures consist of the conversion of various GPR appropriations in non-DOT agencies to transportation fund appropriations, the transfer of supplemental vehicle title fee revenues from the transportation fund to the environmental fund (instead of, under current law, making a substitute payment from the general fund for this purpose), and offsetting general fund debt service payments with transportation fund revenues. In total, these measures would use \$70,803,500 in 2007-08 and \$89,976,500 in 2008-09 from the transportation fund for programs and functions that are currently supported from the general fund.

4. Over the biennium, the total transportation fund cost of the bill's measures to assist the general fund would be \$160,780,000, or just under the \$167,579,400 that would be generated by the vehicle registration fees. Consequently, although the rationale given by the Governor for increasing the vehicle registration fees was to maintain the state's transportation infrastructure, it could be argued that most of the increase would, in effect, be used to assist the general fund.

5. Even if the bill did not use transportation fund revenues on programs that would otherwise be funded from the general fund, some would argue that the registration fee increases and the other transportation fund tax and fee increases are necessary to meet current state and local transportation infrastructure needs. In 2006, the Joint Committee on Transportation Needs and Financing, also known as the "Road to the Future Committee," made a series of recommendations

for funding increases for several surface transportation programs. The Committee's total, annual recommended funding increase for transportation programs was \$698.2 million, which includes increases of \$544.6 million for state highway improvement programs, \$44.3 million for state highway maintenance, \$71.5 million for local road aid programs, and \$37.8 million for mass transit aid. By comparison, the funding increases in the bill would generate \$271.8 million on an annualized basis in 2008-09, or less than 40% of the recommended funding increase.

6. Another potential reason for retaining the registration fee increases in the bill, even if the provisions related to assisting the general fund are deleted, would be to reduce the amount of bonding used for transportation programs. For instance, the bill would provide \$90,200,000 in bonds to begin the reconstruction of I-94 between the Mitchell Interchange in Milwaukee County and the Illinois state line, and would provide a total of \$333,133,900 in bonds for the major highway development program, which is an above-base increase of \$39,679,500 for that program. The continued reliance on bonds to finance a substantial portion of the freeway reconstruction projects in southeast Wisconsin and for increases in the major highway development program creates a situation in which debt service payments will typically grow faster than the natural growth in transportation fund revenues.

7. The automobile registration fee was last increased on October 1, 2003, from \$45 to the current fee of \$55. The fees for light trucks were last changed on December 1, 1997, when the fees for all truck weight classes were increased by 7.5%, or by \$3.50 for trucks in the 4,500 pound category, by \$4.50 for 6,000 pound trucks, and by \$5.50 for 8,000 pound trucks. The registration fee for automobiles was also increased in 1997, from \$40 to \$45, a 12.5% increase. Since the registration fee for automobiles has been increased more recently than the fees for light trucks (and by a higher percentage), the fee for trucks in the 4,500 pound category is less than the current fee for automobiles (\$48.50 versus \$55). Under the bill, the fee for the lightest truck category would be established at the same level as the registration fee for automobiles, or \$75. The following table provides a comparison of the percentage increase in fees for the various categories since November 30, 1997, including the increases proposed in the bill.

**Change in Registration Fees Since 1997**

<u>Category</u>	<u>Fee on 11/30/1997</u>	<u>Fee Under the Bill</u>	<u>Percent Change</u>
Automobile	\$40	\$75	87.5%
Light Truck			
Under 4,500 Pounds	45	75	66.7
4,500 Pounds to 6,000 Pounds	57	84	47.4
6,000 Pounds to 8,000 Pounds	72	106	47.2
Heavy Trucks	Various	Various	7.5

8. In testimony on the bill before the Committee, the Secretary of the Department of Transportation provided information showing that the proposed vehicle registration fee for automobiles would be below the comparable fees in the states neighboring Wisconsin. The fees in

other states cited by the Department range from a low of \$105 in Michigan, to \$153 in Illinois, \$194 in Minnesota, and a high of \$210 in Iowa. However, all of the states bordering Wisconsin have either commonly-imposed local registration fees or value-based registration fees, so the amounts paid vary depending upon location and vehicle. The figures cited by the Department reflect the total fees paid in 2006 on a 2005 mid-sized sedan, registered in the largest city in each state. Illinois is the only one of these states in which a local fee affects the total. The \$153 fee cited above reflects a \$78 state registration fee, plus a \$75 local fee paid on vehicles registered in Chicago. Local vehicle sticker fees in Illinois are relatively common, but are usually lower, ranging from \$10 to \$50.

9. The value-based fees in Iowa, Michigan, and Minnesota are usually considerably higher than the flat registration fee levied in Wisconsin when the comparison involves a newer vehicle, such as the 2005 mid-sized sedan used for the Department's comparison. The fees paid in those states generally decline as vehicles age, although they are still usually higher than Wisconsin's current fee until about the tenth registration year. The following table shows the vehicle registration fees that would be paid in those three states for the first ten years on a vehicle with an original manufacturer's suggested retail price (MSRP) of \$19,900. Since Iowa's fee also has a weight-based component, it is assumed that the vehicle weighs 3,000 pounds.

**Annual Vehicle Registration Fees in Three Neighboring States for a Vehicle with an MSRP of \$19,900 and Weighing 3,000 Pounds**

<u>Year</u>	<u>Iowa</u>	<u>Michigan</u>	<u>Minnesota</u>
1	\$211	\$98	\$259
2	211	88	189
3	211	79	99
4	211	71	99
5	211	71	99
6	161	71	99
7	112	71	99
8	112	71	99
9	35	71	85
10	35	71	35

10. There are 23 states that have a fee structure under which the amount owed on a particular vehicle varies depending upon the vehicle's value, age, weight, or other factors. However, these variable factors do not necessarily result in a state registration fee that is significantly higher than Wisconsin's flat fee. Although the value-based components used in the three states shown in the table above result in fees that are generally higher than Wisconsin's fee, all three of these states have among the highest fees in the country for similar vehicles. Therefore, although the proposed \$75 fee for automobiles would generally be lower than the fees for newer vehicles in the surrounding states, the fee would be the seventh-highest in the country for a 2005 mid-sized sedan, when only state registration fees are taken into consideration.

11. Although the proposed \$75 fee would rank fairly high when compared to the

registration fees in other states, that ranking does not take into consideration the imposition of state or local property taxes on vehicles. Since vehicles are exempt from property taxes in Wisconsin, the inclusion of these taxes in the comparison would lower the state's ranking. According to the Department's analysis (again, for a 2005 mid-sized sedan), the proposed \$75 fee would give Wisconsin the 37<sup>th</sup> highest fee when all state and local (for each state's largest city) vehicle taxes are included.

12. If the Committee decides to adopt vehicle registration fee increases, but determines that the increases for automobiles and light trucks are too high, there are various alternatives that could be considered. The following table shows the revenue changes (relative to the reestimated revenues that would be generated under the proposed fee increases in the bill) that would be associated with different fee increases.

Fee Increase	New Fee	Revenue		Change to Bill	
		2007-08	2008-09	2007-08	2008-09
<b>Automobiles</b>					
\$20.00	\$75.00	\$53,005,300	\$71,887,700	\$0	\$0
15.00	70.00	39,754,000	53,915,700	-13,251,300	-17,972,000
10.00	65.00	26,502,700	35,943,800	-26,502,600	-35,943,900
5.00	60.00	13,251,300	17,971,900	-39,754,000	-53,915,800
<b>Trucks -- Up to 4,500 Pounds</b>					
\$26.50	\$75.00	\$6,831,500	\$9,417,100	\$0	\$0
21.50	70.00	5,542,600	7,640,300	-1,288,900	-1,776,800
16.50	65.00	4,253,600	5,863,500	-2,577,900	-3,553,600
11.50	60.00	2,964,600	4,086,700	-3,866,900	-5,330,400
<b>Trucks -- 4,500 Pounds to 6,000 Pounds</b>					
\$22.50	\$84.00	\$7,500,200	\$10,338,900	\$0	\$0
17.50	79.00	5,833,500	8,041,400	-1,666,700	-2,297,500
12.50	74.00	4,166,800	5,743,800	-3,333,400	-4,595,100
7.50	69.00	2,500,100	3,446,300	-5,000,100	-6,892,600
<b>Trucks -- 6,000 Pounds to 8,000 Pounds</b>					
\$28.50	\$106.00	\$3,615,200	\$4,983,500	\$0	\$0
23.50	101.00	2,981,000	4,109,200	-634,200	-874,300
18.50	96.00	2,346,700	3,234,900	-1,268,500	-1,748,600
13.50	91.00	1,712,500	2,360,600	-1,902,700	-2,622,900

13. Another alternative that could be considered instead of, or in addition to, the registration fee increases discussed above, would be to increase the registration fees paid by heavy trucks (over 8,000 pounds). As with the fees for light trucks, these fees have not been increased since 1997, when the fee schedule for all truck weight classifications was increased by 7.5%. Since

that time, the consumer price index has increased by 25.6%, and is forecast to increase by an additional 1.8% in 2007. Consequently, a 25% increase in the truck fees would still be below the fee in 1997 on an inflation-adjusted basis. The following table shows the revenue that would be generated on 10%, 15%, 20%, and 25% increases to the fees, assuming an October 1, 2007, effective date. For purposes of illustration, the proposed fee increase and total fee for an 80,000 pound tractor-semi trailer combination is shown, although there are 16 weight classifications between 10,000 pounds and 80,000 pounds. The current fee for an 80,000 pound tractor-semi trailer combination is \$1,987.50 (\$1,969.50 based on weight plus an \$18 surcharge).

**Estimated Revenue Generated by Heavy Truck Registration Fee Increase  
(80,000 Pound Truck Shown as an Example)**

Percentage Increase	80,000 Pound Semi-Tractor		Estimated Revenue	
	Dollar Increase	New Fee	2007-08	2008-09
10%	\$197	\$2,184	\$10,309,100	\$16,394,800
15	295	2,283	15,463,700	24,592,200
20	394	2,381	20,618,200	32,789,600
25	492	2,480	25,772,800	40,987,000

14. Wisconsin's current fee of \$1,987.50 for an 80,000 pound truck ranks tenth highest among the states, while the increases shown in the previous table would change the rank to eighth or ninth. The registration fee for an 80,000 pound truck in Illinois is higher than Wisconsin's fee (\$3,191), but the fee in the other three states bordering Wisconsin are lower than Wisconsin's current fee (\$1,760 in Minnesota, \$1,705 in Iowa, and \$1,660 in Michigan). The registration fee actually paid by a truck operating in interstate commerce is apportioned between the states in which the truck travels in proportion to the percentage of miles traveled in each state. So, for instance, if a truck travels 50% of its total miles in a year in Wisconsin, the fee owed to Wisconsin would be equal to 50% of the total, annual fee for the weight classification.

15. Although the state's current registration fee for an 80,000 pound truck is in the top ten, this comparison is based solely on the registration fee and not other vehicle taxes and fees. According to a study done in 2001 by the Oregon Department of Transportation, 27 states levied property taxes on heavy trucks, unlike Wisconsin, and four states levied a weight-distance tax in addition to a registration fee. The 2001 study estimated that in 23 of those states the property taxes were at least \$500 and in 18 they were at least \$1,000. In the four states that had weight-distance tax, those amounts ranged from \$2,280 to \$9,576, for 80,000 miles of travel at 80,000 pounds. When these other taxes were included in the rankings, the vehicle fees in Wisconsin for an 80,000 pound truck ranked 25<sup>th</sup> in 2001.

16. If the Committee determines that it is necessary to increase transportation fund revenues, it could consider other sources of revenue in addition to or instead of the registration fees discussed in this paper. For a discussion of other revenue measures that were considered by the "Road to the Future Committee," see LFB Issue Paper #766.

## ALTERNATIVES TO BILL

1. Adopt the Governor's recommendation to increase the vehicle registration fee for automobiles by \$20, from \$55 to \$75, effective on October 1, 2007, or the day after publication of the bill, whichever is later, and increase the fees for light trucks by \$26.50, from \$48.50 to \$75, for trucks not more than 4,500 pounds, by \$22.50, from \$61.50 to \$84, for trucks not more than 6,000 pounds, and by \$28.50, from \$77.50 to \$106, for trucks not more than 8,000 pounds. Increase estimated transportation fund revenues by \$70,952,200 in 2007-08 and \$96,627,200 in 2008-09.

ALT 1	Change to Bill Revenue	Change to Base Revenue
SEG	\$0	\$167,579,400

2. Adopt one or more of the following modifications to the Governor's recommendations for automobiles, light trucks, or heavy trucks. [The heavy truck fees would be rounded to the nearest whole dollar after applying any percentage increase.]

	Increase	Change to Bill		Change to Base	
		2007-08	2008-09	2007-08	2008-09
<b>Automobiles</b>					
a.	\$15.00	-\$13,251,300	-\$17,972,000	\$39,754,000	\$53,915,700
b.	10.00	-26,502,600	-35,943,900	26,502,700	35,943,900
c.	5.00	-39,754,000	-53,915,800	13,251,300	17,971,900
<b>Trucks up to 4,500 Pounds</b>					
d.	\$21.50	-\$1,288,900	-\$1,776,800	\$5,542,600	\$7,640,300
e.	16.50	-2,577,900	-3,553,600	4,253,600	5,863,500
f.	11.50	-3,866,900	-5,330,400	2,964,600	4,086,700
<b>Trucks up to 6,000 Pounds</b>					
g.	\$17.50	-\$1,666,700	-\$2,297,500	\$5,833,500	\$8,041,400
h.	12.50	-3,333,400	-4,595,100	4,166,800	5,743,800
i.	7.50	-5,000,100	-6,892,600	2,500,100	3,446,300
<b>Trucks up to 8,000 Pounds</b>					
j.	\$23.50	-\$634,200	-\$874,300	\$2,981,000	\$4,109,200
k.	18.50	-1,268,500	-1,748,600	2,346,700	3,234,900
l.	13.50	-1,902,700	-2,622,900	1,712,500	2,360,600
<b>Heavy Trucks (Percentage Increase for All Classes)</b>					
m.	10%	\$10,309,100	\$16,394,800	\$10,309,100	\$16,394,800
n.	15	15,463,700	24,592,200	15,463,700	24,592,200
o.	20	20,618,200	32,789,600	20,618,200	32,789,600
p.	25	25,772,800	40,987,000	25,772,800	40,987,000

3. Delete provision. Reduce estimated transportation fund revenue by \$70,952,200 in 2007-08 and \$96,627,200 in 2008-09 to reflect this action.

<b>ALT 3</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
SEG	-\$167,579,400	\$0

Prepared by: Jon Dyck