



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

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Joint Committee on Finance

Paper #597

Revenue Options (Transportation -- Transportation Finance)

Base Agency

CURRENT LAW

The state transportation fund is the largest source of funding for transportation programs, with actual revenues (including transfers from other funds) of \$1.93 billion in 2015-16. The motor vehicle fuel tax is the largest source of revenue in the transportation fund, accounting for 53.7% of gross revenues in 2015-16. Vehicle registration fee revenues, including titling and various other registration-related fees, made up another 35.7% of gross transportation fund revenues in that year. Some of the other lesser fee revenues to the fund include driver's license fees and airline and railroad ad valorem taxes, among others.

GOVERNOR

No provision.

DISCUSSION POINTS

Background

1. During the past year, this office has received inquiries regarding possible revenue increases that could be enacted to improve the long-term sustainability of the transportation fund, including meeting the current and future program demands on the fund. The consideration given to any revenue increase option should take into account the level of revenue generated, in the biennium and the long-term, from the tax relative to the administrative burden on the state and businesses in collecting the tax. The revenue increases discussed in the body of this paper are

included as possible options because they largely have administrative systems in place that could be used for their collection and they could generate revenues to the transportation fund on a scale sufficient to address the state's long-term transportation finance issues. Each of the revenue options discussed in this paper, as well as those outlined in the attachment, would require time in order to implement the tax or fee change.

Motor Vehicle Fuel Taxes

2. The motor vehicle fuel tax is the largest source of revenue to the transportation fund. The revenue produced by the motor fuel tax is affected by both the fuel tax rate and the number of taxable gallons of motor vehicle fuel. The tax rate has not increased since April, 2006, the last year of the automatic annual indexing of the rate to the annual change in the Consumer Price Index (CPI). Also, from 2006 to 2016, the state has only experienced an average, annual growth rate of 0.3% in the number of motor vehicle fuel gallons consumed.

3. Given the importance of the motor vehicle fuel tax to the transportation fund, and the modest growth in fuel consumption, increasing the fuel tax rate is one option that can generate additional revenue to the transportation fund. Based on current estimates of fuel consumption, every one-cent increase in the motor vehicle fuel tax rate would generate an additional \$33.7 million annually. An option that would increase the current 30.9 cents per gallon motor vehicle fuel tax rate by five cents to 35.9 cents per gallon, if effective August 1, 2017, would generate increases in revenues to the transportation fund of \$153.6 million in 2017-18 and \$168.5 million in 2018-19.

4. Table 1 shows the motor vehicle fuel tax that drivers pay under current law, under a five cent per gallon tax rate increase, and the difference between these amounts, given certain assumptions on the fuel efficiency of the vehicle driven and the annual number of miles driven for that vehicle. The additional tax paid by a driver would range from \$14 more per year for a 30 miles per gallon (MPG) vehicle driven 8,000 miles to \$53 more per year for a 15 MPG vehicle driven 16,000 miles.

TABLE 1

**Comparison of Current Fuel Taxes Paid by Drivers
and Under a Five Cents Per Gallon Increase in the Tax Rate**

<u>Annual Miles Driven and Vehicle Fuel Efficiency</u>	<u>Current Law 30.9¢ /Gallon</u>	<u>5¢ Increase 35.9¢/Gallon</u>	<u>Difference</u>
8,000 Miles			
15 MPG	\$165	\$191	\$26
22.5 MPG	110	128	18
30 MPG	82	96	14
12,000 Miles			
15 MPG	247	287	40
22.5 MPG	165	191	26
30 MPG	124	144	20
16,000 Miles			
15 MPG	330	383	53
22.5 MPG	220	255	35
30 MPG	165	191	26

5. Whenever the fuel tax rate is changed, a floor tax is imposed on any person possessing motor vehicle fuel on which the previous fuel tax has been paid, if the fuel is being held for sale or resale. This tax is equal to the number of gallons multiplied by the difference between the old and new tax rates. This tax is designed to prevent the filling of retailers' supply tanks prior to a fuel tax increase to avoid payment of the higher tax. If the fuel tax rate is decreased, the floor tax provision is used to provide a refund to any person holding fuel for sale or resale purposes. If the fuel tax is raised, additional revenue may be realized from the floor tax provision being applied to the tax rate change.

6. As mentioned earlier, the motor vehicle fuel tax rate was last increased on April 1, 2006, when it was last adjusted based on the annual change in CPI. After that indexing adjustment, the annual indexing of the state's motor vehicle fuel tax rate was repealed. In April, 2017, the state's motor vehicle fuel tax rate would have been adjusted to 37.9 cents per gallon (7.0 cents per gallon above the current rate) had the annual indexing of the state's motor vehicle fuel tax rate not been repealed. Annual indexing would have added an estimated \$215.3 million in revenues from the tax in 2016-17, and resulted in motor vehicle fuel tax revenues being over \$1.4 billion higher, on a cumulative basis over the eleven-year period, if the repeal had not been enacted.

7. Despite no change in the state's tax rates, on average, many state motorists are likely paying less in fuel taxes than at the time the state's motor vehicle fuel tax rate was last indexed. Growth in the fuel economy of the average automobile has the effect of reducing the amount of state motor vehicle fuel taxes paid by motorists despite those motorists driving the same annual number of vehicle miles and having the same impact on state roads. To illustrate this point, according to IHS Markit, in 2006, the average fuel economy of the motor vehicle fleet was 20.3 miles per gallon.

Their current projections indicate that the average fuel economy will increase to 22.9 miles per gallon by the end of 2018-19. As a result, by the end of the 2017-19 biennium, the average motorist in the state who drives 12,000 miles per year will be purchasing 67.1 fewer gallons of fuel in 2019 than they were in 2006 due to increased fuel economy of their vehicle. Therefore, such motorists will be paying \$20.73 (67.1 gallons x 30.9 cents per gallon) less in state fuel taxes per vehicle driven than they did in 2006. This would be the equivalent to 4.0 cents per gallon less in motor vehicle fuel taxes paid as a result of the increased fuel economy of automobiles. Revenues would be increased by \$122.9 million in 2017-18 and \$134.8 million in 2018-19, if the rate were increased to reflect this increased fuel economy. Paying less in fuel taxes for the same miles driven means that while the state's roads receive the same impact, fuel tax revenues associated with those miles driven have fallen, making it more difficult for the state to maintain and reconstruct its roads.

8. Several states across the country have imposed increases to their motor vehicle fuel taxes in recent years, including the State of Michigan, which recently increased its gasoline fuel tax rate by 7.3 cents per gallon and its diesel fuel tax rates by 11.3 cents per gallon. Also, the federal government is facing similar long-term sustainability issues relating to the federal highway trust fund, which has led to discussions on a potential increase to federal motor vehicle fuel tax rates (currently 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel fuel).

9. Each of Wisconsin's neighboring states has a fixed excise tax on gasoline, with the lowest rate being 19 cents per gallon in Illinois. While Iowa has a separate excise tax rate of 30.7 cents per gallon for gasoline that contains no ethanol, the excise tax rate for gasohol (gasoline blended with 10% ethanol), which represents the vast majority of sales in the state, is 29 cents per gallon. Minnesota also has a lower tax rate for motor fuel containing 85% ethanol (E-85). In addition, with the exception of Iowa, each state imposes an additional fee to fund clean-up of leaking underground storage tanks, similar to the petroleum inspection fee in Wisconsin. Minnesota imposes a two-cent per gallon tank cleanup fee (not included in Table 1) that is temporarily imposed for a four-month period whenever the balance of the state's petroleum tank fund falls below \$4 million. Finally, Illinois and Michigan each impose their state sales tax on sales of gasoline. In Illinois, the sales tax of 6.25% is imposed on the sales price minus the state excise tax. Illinois also has a lower sales tax rate (80% of the 6.25% rate) on gasohol. E-85 is exempt from the state's sales tax in Illinois. In Michigan, the sales tax of 6.0% is imposed on the sales price minus the state motor fuel excise tax and fees.

10. Table 2 summarizes the state taxes and fees on gasoline, gasohol, and E-85 sales in each state. The sales taxes in Illinois and Michigan will produce a varying cents-per-gallon equivalent depending on the price of gasoline. For this table, a retail price of \$2.36 per gallon is used. This is the average, weekly price for May 15, 2017, for all grades of gasoline for the Midwest region, as reported by the U.S. Energy Information Administration. The cents-per-gallon equivalent will vary by 3.125 cents per gallon in Illinois (2.5 cents per gallon for gasohol) and by 3.0 cents per gallon in Michigan for each 50-cent per gallon change in price.

TABLE 2**State Taxes and Fees on Gasoline, Gasohol, and E-85 Sales
(In Cents per Gallon)**

	<u>Excise Tax</u>	<u>Environmental Fees</u>	<u>Sales Tax on \$2.36/Gallon</u>	<u>Total</u>
Illinois*				
Gasoline	19.0¢	1.1¢	14.8¢	34.9¢
Gasohol	19.0	1.1	11.8	31.9
E-85	19.0	1.1	---	20.1
Iowa				
Gasoline	30.7	---	---	30.7
Gasohol & E-85	29.0	---	---	29.0
Michigan **	26.3	0.875	14.2	41.4
Minnesota				
Gasoline & Gasohol	28.5	0.1	---	28.6
E-85	20.25	0.1	---	20.35
Wisconsin	30.9	2.0	---	32.9

* 6.25% sales tax on price net of state motor fuel excise tax.

**6.0% sales tax on price net of state motor fuel excise tax and fees.

11. Each state also has a fixed excise tax on diesel fuel, with the lowest rate being 21.5 cents per gallon in Illinois. In addition, the fees to fund clean-up of leaking underground storage tanks also apply to diesel fuel. Finally, Illinois and Michigan each impose their state sales tax on sales of diesel fuel. Illinois has a lower sales tax rate (80% of the 6.25% rate) on biodiesel fuels containing between 2% and 10% biofuels. Any biodiesel fuel containing above 10% biofuel is exempt from the state's sales tax in Illinois.

12. Table 3 summarizes the state taxes and fees on diesel fuel sales in each state. The sales taxes in Illinois and Michigan will produce a varying cents-per-gallon equivalent depending on the price of diesel fuel. For this table, a retail price of \$2.48 per gallon is used. This is the average, weekly price for May 15, 2017, for diesel fuel for the Midwest region, as reported by the U.S. Energy Information Administration. The cents-per-gallon equivalent will vary by 3.125 cents per gallon in Illinois (2.5 cents per gallon for biodiesel blends of 2%-10%) and by 3.0 cents per gallon in Michigan for each 50-cent per gallon change in price.

TABLE 3**State Taxes and Fees on Diesel Fuel Sales
(In Cents per Gallon)**

	<u>Excise Tax</u>	<u>Environmental Fees</u>	<u>Sales Tax on \$2.48/Gallon</u>	<u>Total</u>
Illinois *				
Diesel	21.5¢	1.1¢	15.5¢	38.1¢
Biodiesel (2% to 10%)	21.5	1.1	12.4	35.0
Biodiesel (over 10%)	21.5	1.1	---	22.6
Iowa	32.5	---	---	32.5
Michigan **	26.3	0.875	14.9	42.1
Minnesota	28.5	0.1	---	28.6
Wisconsin	30.9	2.0	---	32.9

*6.25% sales tax on price net of state motor fuel excise tax.

**6.0% sales tax on price net of state motor fuel excise tax and fees.

Vehicle Registration Fees

13. Vehicle registration fees are the second largest source of revenue to the transportation fund. Because of the large number of automobile (3.72 million) and light truck (0.95 million) registrations, and the expected growth in vehicle registrations, increasing the fees on these light vehicles is another option that could generate significant revenue to the transportation fund. For example, the fees for automobiles and light trucks could be increased by increments of \$10, \$20, or \$30, effective October 1, 2017. While the current fee for automobiles is \$75, the fees for light trucks range from \$75 to \$106, depending upon gross vehicle weight. The fees for registration of these vehicles were last raised on January 1, 2008. Since that time, CPI has increased by about 13%. Revenues to the transportation fund would increase by an estimated \$35.4 million in 2017-18 and \$47.5 million in 2018-19 under a \$10 increase, by \$70.7 million in 2017-18 and \$95.1 million in 2018-19 under a \$20 increase, and by \$106.1 million in 2017-18 and \$142.6 million in 2018-19 under a \$30 increase.

14. Wisconsin and Illinois each have a flat fee for automobile registration, equal to \$75 in Wisconsin and \$101 in Illinois. The registration fee structures in Iowa, Michigan, and Minnesota all include variable fees based on the price of the vehicle with the fee declining with the vehicle's age. The attachment to this paper describes a value-based registration revenue option for Wisconsin.

15. In Iowa, fees are based on the vehicle's list price and the number of model years old, plus the weight of the vehicle. For the first seven years, the value-based component equals 1% of list price. This drops to 0.75% for the eighth and ninth year and then to 0.5% for the tenth and eleventh year. For the twelfth and subsequent years, this component of the fee equals \$50. Iowa also has a weight-based component, which is identical for all years and equals \$0.40 per hundred pounds of vehicle weight. In Iowa, a 3,600-pound vehicle with a list price of \$24,600 would have an initial

vehicle registration fee of \$260.40 (\$246.00 + \$14.40).

16. Michigan's vehicle registration system is based on the manufacturer's suggested retail price (MSRP) of the vehicle. The fee for a new vehicle is determined according to a statutory schedule, under which vehicles are categorized in \$1,000 increments. The fee is equal to 0.6% of the MSRP, where the base of the calculation is the \$600 mark within the \$1,000 range. For instance, a new vehicle with a MSRP of between \$24,000 and \$25,000 would have a fee of \$148 ($\$24,600 \times .006$). In subsequent years, the fee paid is reduced as follows: (a) in the second year, the registration fee is equal to 90% of the fee for the first year (a \$148 fee, for instance, would become \$133); (b) in the third year, the registration fee is equal to 90% of the fee in the second year (the \$133 fee would decline to \$120); and (c) in the fourth year and subsequent years, the registration fee would decline to 90% of the fee in the third year (the \$120 fee would decline to \$108). In addition, until October 1, 2019, fees of \$2.25 for traffic law enforcement and \$5.75 for transportation administration are collected on each registration.

17. In Minnesota, automobiles are subject to an annual registration fee of \$10, plus an additional amount equal to 1.25% of the base value. With certain exceptions, vehicle base value is determined by MSRP and the age of the vehicle. In the first year of a vehicle's life, the base value is generally equal to 100% of the MSRP. For a new vehicle with a MSRP of \$24,600, the registration fee would be \$317.50. In each successive year, through the tenth year of a vehicle's life, this base value amount is adjusted downward by increments of 10% of the original MSRP. For instance, in the second year of the vehicle's life, the base value is equal to 90% of the original MSRP, whereas in the tenth year, it is equal to 10% of that value. For vehicles 11 years old and older, the annual registration fee is equal to the basic \$10 registration fee, plus an ongoing flat fee equal to \$25, for a total fee of \$35. In addition, registration renewals include a \$6 filing fee (\$10 for original registration).

18. The Committee could also consider increasing registration fees on heavy trucks (those with a gross weight over 8,000 pounds), effective October 1, 2017. These fees were last increased on January 1, 2008. The current fees range from \$173 for a 10,000-pound truck to \$2,578 for an 80,000-pound truck. Revenues to the transportation fund would increase by an estimated \$4.4 million in 2017-18 and \$6.0 million in 2018-19 under a 5% increase, by \$8.7 million in 2017-18 and \$12.0 million in 2018-19 under a 10% increase, and by \$13.1 million in 2017-18 and \$18.0 million in 2018-19 under a 15% increase.

19. Table 4 lists the current maximum vehicle registration fees for three categories of heavy trucks in Wisconsin and its neighboring states. Illinois currently has the highest registration fee for each category of heavy truck. Although Wisconsin has the second highest fee for a 80,000 pound truck (\$2,578) behind Illinois (\$3,191), Michigan also has higher rates than Wisconsin on 60,000 and 40,000 pound trucks. Heavy truck registration fees are paid by trucks operating in both intrastate and interstate commerce. The fees for trucks operating in interstate commerce are apportioned between the states in which the truck travels in proportion to the percentage of miles traveled in each state. 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.

TABLE 4

Heavy Truck Registration Fees -- Wisconsin and Neighboring States*

<u>Weight</u>	<u>Illinois</u>	<u>Iowa</u>	<u>Michigan**</u>	<u>Minnesota</u>		<u>Wisconsin</u>
				<u>1-8 Years</u>	<u>9 Years and Older</u>	
80,000	\$3,191	\$1,695	\$1,992	\$1,760	\$1,320	\$2,578
60,000	2,253	1,200	1,522	1,015	762	1,385
40,000	1,375	675	1,049	595	447	939

*Fees shown are for the basic permit only for a twelve-month period. Fees vary by various weight ranges within states.

**Increased by 20%, effective January 1, 2017.

Federal Tolling Pilot Program

20. Recently, some have discussed the possibility of the state looking into tolling on portions of its interstate highways, as allowed by the federal government under the federal Interstate System Reconstruction and Rehabilitation pilot program. This program permits up to three states to convert an existing interstate facility into a toll facility in conjunction with needed reconstruction or rehabilitation that could not otherwise be adequately maintained or functionally improved without the collection of tolls. Directing DOT to apply for one of the open tolling slots could result in the state obtaining federal tolling authority and provide a potential revenue source in future years.

21. The initial step required of states interested in the pilot program is to apply for provisional approval with the Federal Highway Administration (FHWA). Provisional approval is intended to allow a state to undertake the studies necessary to develop a complete application to the program. Any state receiving a provisional approval has three years from the date of the approval to fully satisfy the program criteria, complete environmental review and permitting, and execute a toll agreement with FHWA. Currently, Missouri is the only state that holds a provisional approval, which will expire no later than December 4, 2017. Two slots are currently available for use by any state with eligible tolling projects under the pilot program. Assuming federal guidance related to these slots is released sometime this month (May, 2017) applications for these slots could be due as early as October 1, 2017.

22. As part of the transportation fund solvency study required under 2015 Act 55, DOT contracted with HNTB (a consulting firm) to conduct a policy study on the feasibility of interstate tolling. In recent discussions, HNTB noted that while it may enhance the state's application for one of the available tolling slots under the federal Interstate System Reconstruction and Rehabilitation pilot program, having enabling legislation in place that authorizes the Wisconsin DOT to toll its interstate road would not be required as part of the application process.

23. However, HNTB staff did indicate that the selection process for any open slots under the pilot program would likely require Wisconsin DOT to identify an interstate corridor on which the tolling pilot program would be implemented in its application. HNTB staff also noted that the tolling pilot program likely requires that all tolling revenues be put back into the project corridor.

Thus, it is probable that any revenues generated within the identified corridor could only be used to maintain and enhance the transportation infrastructure within the tolled corridor. While not specifically required as part of the application process, HNTB staff also indicated that the state would have to complete a feasibility study that demonstrates that the revenue generated within the tolling corridor would be sufficient carry out any required maintenance and enhancement of the transportation infrastructure included in the corridor.

24. HNTB noted that if FHWA submits guidance in timely manner that establishes an October 1, 2017 deadline, an FHWA decision on whether or not the state receives provisional approval for one of the pilot program tolling slots would likely be made in June, 2018. If the state's application is accepted, and assuming the needed environmental impact statements on the anticipated work to be carried out in the tolling corridor are completed, legislation is approved authorizing tolling, and tolling infrastructure is in place, HNTB staff indicated that the state could begin tolling all or a portion of the interstate highways in the identified in the corridor by sometime in mid-2021. If the application is delayed by a year, or other factors delay implementation, tolling would not likely be able to begin until mid-2022.

Various Other Transportation-Related Fees

25. The attachment to this paper provides information on other revenue options that have been the subject of frequent legislative inquiry. Some of these options would involve assessing a new fee, which would require the state to develop an administrative system necessary to collect the fee. As a result, some of these options would require time between implementation and revenue collection.

Prepared by: John Wilson-Tepeli and Ryan Horton
Attachment

ATTACHMENT

Estimated 2017-19 Transportation Fund Revenue from Various Tax and Fee Modifications

	<u>Current Rate</u>	<u>Alternate Rate</u>	<u>2017-18</u>	<u>2018-19</u>
<p>Increase the State Sales Tax Rate to 5.5%. Effective October 1, 2017, increase the state sales tax rate on all currently taxed goods and services from 5.0% to 5.5% and deposit the revenue from the 0.5% tax (one-eleventh of total sales tax receipts) in the transportation fund. Under current law, a two-thirds majority approval would be required in each house of the Legislature for passage of any bill that increases the state sales tax rate. This requirement does not apply if the Legislature passes a joint resolution requiring a statewide advisory referendum on whether the Legislature should authorize the tax increase and a majority of voters approve the increase.</p>	5.0%*	5.5%*	\$402.8 million	\$558.0 million
<p>Eliminate the Motor Fuel Sales Tax Exemption. Effective October 1, 2017, expand the sales tax base to include motor fuel sales. The sales tax would be applied to the retail price of gasoline and diesel fuel, which includes state and federal fuel excise taxes. Because fuel prices can change significantly from year to year, estimated revenues from the sales tax on motor fuel can vary considerably. Also, unless modified by the proposal, any county with a sales tax and stadium districts with a sales tax would receive additional revenues if the sales tax base was expanded.</p>	NA	5.0%*	\$270.0 million	\$390.0 million
<p>One Cent Increase in the Motor Vehicle Fuel Tax Rate. Effective August 1, 2017, increase the motor vehicle fuel tax rate by one cent per gallon.</p>	30.9¢ per gallon	31.9¢ per gallon	\$30.7 million	\$33.7 million
<p>Reinstate Annual Indexing of the Motor Vehicle Fuel Tax Rate. Effective April 1, 2018, reinstate the annual indexing of the motor vehicle fuel tax rate by the percentage change in CPI from the previous calendar year over the prior calendar year. The rate was last indexed to the current 30.9 cents per gallon rate on April 1, 2006. This would increase the tax rate to 31.5 cents per gallon on April 1, 2018, and 32.0 cents per gallon on April 1, 2019.</p>	30.9¢ per gallon	See Text	\$5.1 million	\$24.4 million
<p>Adjust the Motor Vehicle Fuel Tax Rate to Reflect Lost Indexing. Effective August 1, 2017, increase the motor vehicle fuel tax rate by 7.0 cents per gallon, to the rate would have been in effect had the state continued annual indexing of the rate.</p>	30.9¢ per gallon	37.9¢ per gallon	\$215.0 million	\$235.9 million

*State sales and use tax rate only.

ATTACHMENT (continued)

	<u>Current Rate</u>	<u>Alternate Rate</u>	<u>2017-18</u>	<u>2018-19</u>
<p>Eliminate the Motor Vehicle Fuel Tax Exemption for Farming. Effective August 1, 2017, eliminate the motor vehicle fuel tax exemption for undyed diesel fuel sold for non-highway use as well as gasoline used for non-highway purposes and delivered in a quantity of at least 100 gallons if the user (generally, a farmer) has obtained an exemption certificate in advance, and dyed diesel fuel used in an agricultural commercial motor vehicle or an implement of husbandry and is not licensed, or required to be licensed, with the Department of Motor Vehicles (DMV).</p>	None	30.9¢ per gallon	\$34.1 million	\$37.3 million
<p>Mileage-Based Registration Fee. Create a mileage-based registration fee for automobiles and light trucks equal to 1.02¢ per mile, with exemptions for annual mileage less than 3,000 and more than 20,000. The fee would be based on self-reported odometer readings. Analysis of this fee structure reported in DOT's 2016 Solvency Study assumed that no revenue would be received during the first two years of fee implementation. In the first year, information technology systems would be developed and public outreach would occur. In the second year, base mileage data used for assessing the fee in the following year would be collected. In the third year, revenue would be received from fee payments made at the time of vehicle registration. The Department assumed an evasion rate equal to 15%. The Solvency Study report estimated that revenue in the first full year of collections (2019-20) for this fee structure would be equal to \$326.8 million. In this study, DOT indicated that administrative costs of \$4.4 million in 2017-18 and \$5.5 million in 2018-19 would be expected.</p>	None	1.02¢ per mile	See Text	See Text
<p>Highway Use Fee. Create a highway use fee, effective October 1, 2017, for the initial, private registration of new, light passenger vehicles (including automobiles, vans, sport utility vehicles, and light trucks with a gross vehicle weight of 8,000 pounds or less, and motorcycles) equal to 2.5% of the manufacturer's suggested base retail price (MSRP), which would be defined to exclude destination charges. Specify that municipal-plated and farm-use-plated vehicles, as well as commercial vehicles with a gross vehicle weight in excess of 8,000 pounds, would be exempt from the fee. As an example, a vehicle with a base MSRP of \$33,800 would be required to pay a fee of \$845.</p>	None	2.5% of MSRP	\$173.8 million	\$241.1 million
<p>Hybrid/Electric Vehicle Fee. Create a \$50 fee, effective January 1, 2018, which would be paid in addition to the existing annual registration fee of \$75, for passenger vehicles designed for highway use that are powered by hybrid-electric or electric engines. Specify that the fee would apply to automobiles, vans, sport utility vehicles, and light trucks with a gross vehicle weight of 8,000 pounds or less, but would not apply to municipal-plated vehicles, farm-use-plated vehicles, motorcycles, or vehicles registered with a gross vehicle weight in excess of 8,000 pounds.</p>	None	\$50 annually	\$2.1 million	\$5.0 million

ATTACHMENT (continued)

	<u>Current Rate</u>	<u>Alternate Rate</u>	<u>2017-18</u>	<u>2018-19</u>
<p>Value-Based Registration of New Vehicles. DOT's Solvency Study also reported on the possibility of creating a value-based registration fee on new automobiles and light trucks similar to the State of Michigan's vehicle registration model. For new vehicles, at the time of initial registration, a fee equal to 0.5% of MSRP would be due. The first renewal fee would be equal to 90% of the original registration fee, the second renewal fee would be equal to 90% of the first renewal fee, and the third renewal fee would be equal to the greater of 90% of the second renewal fee or the existing base registration fees for each light vehicle category. It is assumed that no revenue would be collected during the first year due to the need to develop information technology, communicate with the public, and implement administrative processes. Currently-registered light vehicles would continue to pay their existing, flat registration fee amounts, and would not be subject to the new fee structure. Revenue would grow over time as currently-registered vehicles are retired and new vehicles would become subject to the value-based fee.</p>	<p>\$75 (Autos), \$75 - \$106 (Light Trucks), annually</p>	<p>0.5% of MSRP, subsequent adjustments, with the fee for the fourth and subsequent renewals equal to the greater of 90% of the third renewal or existing base fee.</p>	<p>---</p>	<p>\$13.0 million</p>
<p>Increase Vehicle Title Fees. Increase the fee for an initial vehicle title or title transfer transaction by \$5.00, effective October 1, 2017. Although the fee for both of these transactions is \$62.00, there is an additional supplementary fee of \$7.50, such that the total fee is equal to \$69.50. This fee is currently charged when a vehicle is purchased (an original title transaction) or sold (a title transfer).</p>	<p>\$62.00, plus a \$7.50 supplementary fee</p>	<p>\$67.00, plus a \$7.50 supplementary fee</p>	<p>\$5.4 million</p>	<p>\$7.2 million</p>