



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #645

Vehicle Title Fee (DOT -- Transportation Finance)

[LFB 2011-13 Budget Summary: Page 430, #5]

CURRENT LAW

A motor vehicle title is a certificate of vehicle ownership, and is required for all motor vehicles that are required to be registered. For new vehicle title and title transfer transactions, applicants pay a fee of \$53, plus an additional fee of \$7.50 (except for a title transfer from a deceased spouse to a surviving spouse or for titling a low-speed vehicle). Revenue from these fees are deposited in the transportation fund. In addition, for all new title and title transfer transactions (except for titles for a low-speed vehicle) applicants pay a \$9 environmental impact fee. Revenue from the environmental impact title fee is deposited in the environmental fund for environmental management.

GOVERNOR

Increase the vehicle title fee by \$9, from \$53 to \$62, first applying to fees collected for original titles or title transfers on the general effective date of the bill. Increase estimated transportation fund revenues by \$10,500,000 annually to reflect this increase.

DISCUSSION POINTS

1. For most vehicle title transactions, the total fee is \$69.50, consisting of a \$53 standard title fee, a \$7.50 supplemental title fee, and a \$9 environmental impact fee (for the notation of a security interest, where applicable, an additional fee of \$10 is charged). The item discussed in this paper would increase the standard title fee from \$53 to \$62. A separate item would eliminate the \$9 environmental impact title fee, so the total fee for most title transactions would not change (except for low-speed vehicles, for which the \$9 fee is not charged under current law). The elimination of the \$9 environmental impact fee as a funding source for environmental management programs and the increase of the standard vehicle title fee to increase funding for transportation programs can be considered separately. The elimination of the environmental impact fee will be discussed in a subsequent LFB Issue Paper.

2. The proposed increase to the vehicle title fee is the only significant increase to transportation fund taxes and fees in the bill. [A separate item would decrease the number of successive driver's license skills tests that may be taken for each fee paid, but would not change the fee.] Based on the assumption that the number of vehicle title transactions will remain near current levels (approximately 1.17 million annually), the proposed increase would generate \$10.5 million annually in new transportation fund revenues.

3. The consumption of motor fuel and the number of vehicles registered, which together account for the bulk of transportation fund revenue, are projected to remain near current levels in both years of the biennium, continuing trends of the past several years. Therefore, there has been little potential for "natural" growth in transportation fund revenues over the past several years, a situation that is, for the most part, projected to continue. In the absence of significant natural growth in transportation fund revenues, providing funding increases for transportation programs, if desired, requires increasing existing fees, reallocating funds among existing programs or funds, or increasing the use of bonds.

4. Generally, the bill would increase the vehicle title fee, but most of the funding changes involve the reallocation of funding among programs and the utilization of bonds (although, for most programs, bond usage remains at approximately current levels). In terms of reallocation among programs, the bill would: (a) transfer sales tax revenues from the general fund to the transportation fund; (b) use general fund revenue, instead of transportation fund revenue, as the funding source for mass transit aids; (c) reduce funding for certain DOT programs and administrative appropriations; and (d) transfer funds from the petroleum inspection fund to the transportation fund.

5. The standard title fee has been raised three times in the past several years. The following table shows the date of each of those changes, as well as the old fee, the new fee after the increase, and the amount of the increase.

Vehicle Title Fee Increases Enacted Since 2003

<u>Date of Increase</u>	<u>Old Fee</u>	<u>New Fee</u>	<u>Increase</u>
October 1, 2003	\$8.50	\$18.50	\$10.00
October 1, 2005	18.50	28.50	10.00
January 1, 2008	28.50	53.00	24.50

6. Unlike a vehicle registration fee, which, for most vehicles, is paid on an annual basis, vehicle title fees are paid at the time that a vehicle is purchased or otherwise undergoes a change of ownership. For this reason, the payment of the title fee may frequently be included within a larger financing transaction, and, in relation to the total costs associated with purchasing a vehicle, may be relatively small.

7. It should be noted that if the proposed \$9 increase to the standard title fee is adopted along with the elimination of the environmental impact fee, there would be not net increase to the overall title fee of \$69.50. However, a decision to retain the \$9 increase to the standard fee, but delete the provision that would eliminate the environmental impact fee, would increase the overall title fee to \$78.50. Relative to other states, Wisconsin has one of the highest vehicle title fees.

Thirty five states have a title fee of \$25 or below, while only nine, including Wisconsin, have a fee of \$50 or above.

8. Regardless of the Committee's decision on the environmental impact fee, the standard title fee could be increased by more or less than the amount proposed by the bill. Based on projected title transaction volume, any \$1 change to the title fee would change estimated transportation fund revenue by \$1,167,000, on an annualized basis. If, however, the overall level of the title fee is changed the Division of Motor Vehicles would require three months to implement the change, resulting in a 25% decrease in revenues in the first year from the annualized level. Therefore, increasing the proposed fee to \$15, instead of \$9, would increase estimated revenues by \$5,250,000 in 2011-12 and \$7,002,000 in 2012-13, relative to the bill [Alternative #2]. An increase of \$5, instead of \$9, would decrease estimated revenues by \$6,124,000 in 2011-12 and \$4,668,000 in 2012-13, relative to the bill [Alternative #3].

ALTERNATIVES

1. Approve the Governor's recommendation to increase the vehicle title fee by \$9 and increase estimated transportation fund revenue by \$10,500,000 annually.

2. Modify the Governor's recommendation by increasing the vehicle title fee by \$15, instead of \$9. Specify that the additional \$6 increase would first apply to titles applied for on the first day of the third month beginning after the general effective date of the bill. Increase estimated transportation fund revenue by \$5,250,000 in 2011-12 and \$7,002,000 in 2012-13.

ALT 2	Change to Bill Revenue
SEG	\$12,252,000

3. Modify the Governor's recommendation by increasing the vehicle title fee by \$5, instead of \$9. Specify that this increase would first apply to titles applied for on the first day of the third month beginning after the general effective date of the bill. Decrease estimated transportation fund revenue by \$6,124,000 in 2011-12 and \$4,668,000 in 2012-13.

ALT 3	Change to Bill Revenue
SEG	- \$10,792,000

4. Delete provision.

ALT 4	Change to Bill Revenue
SEG	- \$21,000,000

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