



- **Vehicle registration revenues.** As a result of the bill, it is likely that the state will lose some amount of annual vehicle registration-related revenues since the process for registering an historical vehicle generates a relatively smaller one-time revenue stream in comparison to the ongoing annual standard vehicle registration process. LSC fiscal staff is continuing to research the fiscal implications of this provision, but, as of this writing, the magnitude of the potential loss in annual revenues to the state appears likely to be no more than minimal. The affected state funds include the State Bureau of Motor Vehicles Fund (Fund 4W4) and the State Highway Safety Fund (Fund 036).
- **Certificate of title fee revenues.** Certificate of title fee revenues that are collected by clerks of courts of common pleas and forwarded to the state would be deposited, in order of magnitude, to the credit of the Automated Title Processing Fund (Fund 849), the Bureau of Motor Vehicles Fund (Fund 4W4), the Motor Vehicle Sales Audit Fund (Fund 436), the General Revenue Fund (GRF), and the Motor Vehicles Dealers Board Fund (Fund 539). LSC fiscal staff is continuing to research this matter, but, as of this writing, we are unable to reliably estimate the number of those trailers and semitrailers that will be newly registered and issued a certificate of title for the first time. Thus, the magnitude of the potential annual gain in certificate of title fee revenues is uncertain.
- **Automated Title Processing System Fund (Fund 849) expenditures.** Bureau of Motor Vehicles (BMV) personnel anticipate that the demand for certificate of titles will create a one-time expenditure of approximately \$34,000 for new certificate of title forms, a cost that will be paid for with moneys appropriated from the Automated Title Processing Fund (Fund 849).
- **State Bureau of Motor Vehicles Fund (Fund 4W4) expenditures.** BMV will incur one-time expenses related to programming its computer system to accommodate the new certificate of title requirements. According to BMV personnel, some of these programming tasks can be performed in-house at minimal expense. If the web-based OPLATES on-line registration system, however, also requires any programming changes to handle titling functions, then an outside programming vendor will be necessary, and BMV personnel are not certain of the potential expense. Any of these costs incurred by BMV for computer programming will be paid for with moneys appropriated from the State Bureau of Motor Vehicles Fund (Fund 4W4).
- **Ohio State Highway Patrol.** As a result of the bill, the Ohio State Highway Patrol will be responsible for inspecting additional trailers and semitrailers. The potential magnitude of the Patrol's potential inspection-related expenses is uncertain at this time. Currently, the Patrol's operating expenses are covered almost entirely by moneys appropriated from the State Highway Safety Fund (HSF) Group, which consists of highway safety-related funds that receive transfers from the Highway Operating Fund, federal grants, fees, fines, and taxes on motor vehicles for the purpose of supporting motor vehicle safety and law enforcement programs. Presumably, any inspection-related expenses triggered by the bill will also be paid for with moneys appropriated from those highway safety-related funds.

## ***Local Fiscal Highlights***

LOCAL GOVERNMENT	FY 2008	FY 2009	FUTURE YEARS
<b>Counties, Municipalities, and Townships (permissive local motor vehicle registration fees/taxes)</b>			
Revenues	Potential, likely minimal, loss	Potential, likely minimal, loss	Potential, likely minimal, loss
Expenditures	- 0 -	- 0 -	- 0 -
<b>Counties (clerks of courts)</b>			
Revenues	Potential gain in certificate of title fees, magnitude uncertain	Potential gain in certificate of title fees, magnitude uncertain	Potential gain in certificate of title fees, magnitude uncertain
Expenditures	Potential increase, appears likely to be minimal at most	Potential increase, appears likely to be minimal at most	Potential increase, appears likely to be minimal at most

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- **Vehicle registration revenues.** As a result of the bill, it is likely that certain counties, municipalities, and townships will lose some amount of annual vehicle registration-related revenues since the process for registering a historical vehicle generates a relatively smaller one-time revenue stream in comparison to the ongoing annual standard vehicle registration process. LSC fiscal staff is continuing to research the fiscal implications of this provision, but, as of this writing, the magnitude of the potential loss in annual revenues to any affected counties, municipalities, or townships appears likely to be no more than minimal.
- **Certificate of title fee revenues.** As of this writing, the amount of certificate of title fee revenues that might be collected and retained annually by any affected county is uncertain.
- **Clerks of courts.** As there is already a county system in place for the purpose of titling certain trailers and semitrailers, it would not appear that the bill creates a significant and costly duty to be performed by clerks of courts of common pleas. If one assumes that were true, then, to the degree that the bill does increase the annual operating expenses of a given clerk of court of common pleas, those costs are likely to be no more than minimal. It is also the case that the revenue generated from certificate of title fees may offset some or all of those costs.

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## ***Detailed Fiscal Analysis***

### **Overview**

For the purposes of this fiscal analysis, the bill most notably:

- Classifies street rods and custom vehicles as historical vehicles for purposes of motor vehicle registration, certificate of title, and equipment.
- Subjects trailers and semitrailers that weigh 4,000 pounds or less to the motor vehicle certificate of title law.

### **Street rods and custom vehicles**

The bill classifies certain custom vehicles and street rods as historical vehicles for purposes of motor vehicle registration. Under current law, if these custom vehicles and street rods are registered in the state of Ohio, then presumably they are subject to the standard mix of state and local registration fees/taxes totaling up to \$54.50. This includes: \$20 deposited in the State Bureau of Motor Vehicles Fund (Fund 4W4), \$11 deposited in the State Highway Safety Fund (Fund 036), \$3.50 for the deputy registrar, and up to \$20 in permissive local motor vehicle license taxes.

Under current law, a historical vehicle is subject to a one-time \$21 registration fee/tax plus an annual \$3.50 deputy registrar fee. Of the \$21 one-time fee/tax, \$10 is deposited in the State Bureau of Motor Vehicles Fund (Fund 4W4), and \$11 deposited in the State Highway Safety Fund (Fund 036).

### **State fiscal effects**

As a result of the bill, it is likely that the state will lose some amount of the above-described annual vehicle registration-related revenues since the process for registering an historical vehicle generates a relatively smaller one-time revenue stream in comparison to the ongoing annual standard vehicle registration process. LSC fiscal staff is continuing to research the fiscal implications of this provision, but, as of this writing, the magnitude of the potential loss in annual revenues to the state appears likely to be no more than minimal.

### **Local fiscal effects**

As noted, under current law, if a vehicle is registered as a historical vehicle, the owner is not required to pay the up to \$20 in permissive local motor vehicle license taxes. The bill's new classification of certain custom vehicles and street rods as historical vehicles could cause a loss in revenues to certain counties, municipalities, and townships. LSC fiscal staff is continuing to research the fiscal implications of this provision, but, as of this writing, the magnitude of the potential loss in annual revenues to any affected counties, municipalities, or townships appears likely to be no more than minimal.

## Trailers and semitrailers

### Revenues

**Certificate of title fees.** Under current law, all trailers and semitrailers are registered, but only those weighing over 4,000 pounds are required to also apply for a motor vehicle certificate of title. The bill requires that trailers and semitrailers weighing 4,000 pounds or less receive a certificate of title. A person who already owns a trailer or semitrailer of that type would not be required to apply for a certificate of title. Subsequent to the bill's effective date, any person registering a trailer or semitrailer of that type for the first time would be required to apply for a certificate of title. Once a certificate of title is issued for such a vehicle another certificate of title would not need to be issued until that vehicle is assigned or delivered to another individual. The associated certificate of title fees collected by the state and counties will essentially be one-time revenues.

LSC fiscal staff is continuing to research this matter, but, as of this writing, we are unable to reliably estimate the number of those trailers and semitrailers that will be newly registered and issued a certificate of title for the first time. Thus, the magnitude of the potential annual gain in certificate of title fee revenues is uncertain.

Under current law, unchanged by the bill, the cost of each title is \$5. Pursuant to section 4505.09 of the Revised Code, both the state and counties will receive the one-time revenues generated from the issuance of these certificates of title, the distribution of which is reflected in Table 1 below.

**Table 1**  
**Distribution of Trailer and Semitrailer Certificate of One-Time Title Revenues**

<b>State or Local Government Recipients</b>	<b>Amount Per \$5 Title</b>
State Automated Title Processing Fund (Fund 849)	\$2.00
State Bureau of Motor Vehicles Fund (Fund 4W4)	\$0.25
State Motor Vehicles Dealers Board Fund (Fund 539)	\$0.04
State Taxation Motor Vehicle Sales Audit Fund (Fund 436)	\$0.25
State General Revenue Fund (GRF)	\$0.21
Counties	\$2.25
<b>Total One-Time Titling Fee</b>	<b>\$5.00</b>

**Sales and use taxes.** As noted, trailers and semitrailers that weigh 4,000 pounds or less are not currently titled as motor vehicles. While such trailers are still subject to sales or use tax, the tax generally should be collected by the Ohio vendor or registered out-of-state seller and remitted directly to the state of Ohio. If the seller is not a vendor in Ohio and is not registered as an out-of-state seller, the consumer still owes Ohio use tax. Compliance with use tax statutes is low, thus a portion of tax receipts due on out-of-state purchases is not collected.

By requiring trailers and semitrailers weighing 4,000 pounds or less to be titled, the bill potentially increases sales and use tax revenue from the sale of said items. Assuming that the sales and

use tax is collected on taxable sales of trailers and semitrailers within the state, any additional state sales or use tax receipts would be only from out-of-state purchases of trailers or semitrailers weighing 4,000 pounds or less. Also, the bill may increase receipts from county local permissive and transit authority taxes. However, as of this writing, LSC fiscal staff has not found data on out-of-state purchases of trailers and semitrailers by Ohioans. Thus, we cannot determine the amount of tax revenues such titling of out-of-state purchases would generate.

### Expenditures

The likely fiscal effect of the bill's provisions related to trailers and semitrailers on the state and local governments is described immediately below.

State expenditures. The demand for new titles triggered by the bill will create a one-time BMV expenditure of approximately \$34,000 for new title forms. This one-time expense will be covered by moneys drawn from the Automated Title Processing Fund (Fund 849).

The BMV will also incur a one-time expense related to programming their computer system to accommodate the new titling requirements as specified in the bill. According to BMV personnel, some of these programming tasks, specifically those related to the Automated Title Processing System (ATPS) and Vehicle Registration Database, can be performed in-house at minimal expense.

If the web-based OPLATES on-line registration system also requires any programming changes to handle titling functions, then an outside programming vendor will be necessary and BMV personnel are not certain of the potential expense. Any expense incurred by BMV for computer programming will be paid from moneys drawn from the State Bureau of Motor Vehicles Fund (Fund 4W4).

The Ohio State Highway Patrol is currently responsible for inspecting trailers and semitrailers that weigh over 4,000 pounds and have certificates of title. As a result of the bill, the Patrol will be responsible for inspecting trailers and semitrailers weighing 4,000 pounds or less. Currently, the Patrol has an inspection backlog of up to two weeks, and, assuming all other conditions remain the same, the additional vehicles requiring inspection as a result of the bill presumably increase the size of that backlog. According to Patrol personnel, it does not have sufficient appropriation authority to resolve the manpower shortage related to their inspection operations. There is currently no fee collected for any of these inspections, with the exception of homemade trailers, which require the creation of a vehicle identification number (VIN). In these cases, the Patrol charges \$50 to offset the cost of creating the VIN.

The potential costs to be borne by the Patrol will be a function of the number of inspections conducted each year, the number of new inspection staff hired, and the establishment and maintenance of inspection facilities. The precise magnitude of these expenses is uncertain at this time. Currently, the Patrol's operating expenses are covered almost entirely by moneys appropriated from the State Highway Safety Fund (HSF) Group, which consists of highway safety-related funds that receive transfers from the Highway Operating Fund, federal grants, fees, fines, and taxes on motor vehicles for the purpose of supporting motor vehicle safety and law enforcement programs. Presumably, any

inspection-related expenses triggered by the bill will also be paid with moneys appropriated from those highway safety-related funds.

**County expenditures.** Under current law, a clerk of a court of common pleas: (1) issues certificates of title for trailers and semitrailers that weight more than 4,000 pounds, (2) collects a certificate of title fee, (3) retains a portion of that fee, and (4) forwards the remainder to the state. As there is already a county system in place for the purpose of titling certain trailers and semitrailers, it would not appear that the bill creates a significant and costly duty to be performed by clerks of courts of common pleas. If one assumes that were true, then, to the degree that the bill does increase the annual operating expenses of a given clerk of court of common pleas, those costs are likely to be no more than minimal. It is also the case that the revenue generated from certificate of title fees may offset some or all of those costs.

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