

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 11, 2011
POSITION: Oppose
SPONSOR: San Francisco Chamber of Commerce

BILL NUMBER: SB 223
AUTHOR: M. Leno

BILL SUMMARY: Voter-Approved Local Assessment: Vehicles

Current state law imposes a vehicle license fee (VLF), assessed annually, on individuals and businesses in order to register a vehicle within the state. The fees are collected by the Department of Motor Vehicles (DMV) and are disbursed, less the costs of collection, to local governments. Currently, the fee is calculated at .65 percent of the market value of a vehicle.

Under existing law, counties and cities receive an allocation from the state General Fund that represents the difference between the then current VLF rate and the two percent rate that was in place in 2003, when the rate was reduced to .65 percent.

This bill would:

- Allow the City and County of San Francisco (the City), subject to approval of two-thirds of its board of supervisors and a majority of voters, to impose a local VLF, which when added to the state VLF then in effect, would not exceed two percent of a vehicle's value, on any eligible vehicle registered to an address within the county or city and county.
Require the City to contract with DMV to administer and collect the local VLF, and to reimburse DMV's setup and programming costs.
Direct the Franchise Tax Board (FTB) to report to DMV the estimated General Fund revenue loss for the preceding tax year as a result of local VLF tax deductions taken by City residents.
Require DMV to remit an amount equal to the FTB estimated revenue loss from the local VLF account to the State Controller's Office for deposit into the state General Fund.

FISCAL SUMMARY

This bill could result in a General Fund revenue delay of \$2.1 million in personal income and business tax receipts in 2013-14, and \$1.6 million in 2014-15. That FTB estimate assumes the City would begin imposing a VLF fee on January 1, 2013. Based on this assumption, the proposed local fee would begin to be deducted on the 2013 income tax returns that are filed in 2014. Revenue losses from tax deductions for any tax year would be reimbursed to the General Fund in the succeeding year. DMV estimates this VLF fee increase could result in local revenues of \$32 million in 2013-14 and \$64 million in 2014-15 and ongoing.

The estimated DMV implementation costs for this bill would be \$228,000 in 2012-13, and \$225,000 ongoing.

FTB estimates its reporting costs associated with this bill would be minor and absorbable.

COMMENTS

Analyst/Principal Date Program Budget Manager Date
(0762) C. Hill Mark Hill

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

AUTHOR

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Finance opposes this bill for the following reasons:

- This bill would result in substantial state revenue delay by reimbursing state deductions one to two years after the loss.
- The average cost to register an automobile in this state is \$110. This bill could result in a threefold increase in that cost to register a vehicle in the City and County of San Francisco, which increases would result in additional costs to San Francisco taxpayers and businesses in a time of economic uncertainty.
- Any local VLF collected through DMV's annual vehicle registration process could be perceived by taxpayers as a further increase in state taxes.
- This bill could result in widely disparate costs between counties to register identical vehicles in this state and could discourage the accurate reporting of vehicle addresses.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP	2011-2012		2012-2013		2013-2014			
	RV	98	FC	FC	FC	FC	FC	FC		
1730/FTB	SO	No	-----	See Fiscal Summary	-----	-----	-----	-----	0001	
2740/DMV	SO	No	-----	See Fiscal Summary	-----	-----	-----	-----	0044	
1100/Majr Tax Lic	RV	No	-----	See Fiscal Summary	-----	-----	-----	-----	0001	
<u>Fund Code</u>	<u>Title</u>									
0001	General Fund									
0044	Motor Vehicle Account, STF									