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FISCAL IMPACT STATEMENT

LS 7030

BILL NUMBER: HB 1573

NOTE PREPARED: Feb 21, 2005

BILL AMENDED: Feb 17, 2005

SUBJECT: Agricultural Vehicles and Excise Tax Issues.

FIRST AUTHOR: Rep. Cherry

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill:

- (1) changes the defined term "implement of husbandry" to "implement of agriculture" for purposes of the motor vehicle code, and requires the Bureau of Motor Vehicles (BMV) to determine categories of implements of agriculture by rule;
- (2) redefines the terms "farm tractor" and "tractor" for purposes of the motor vehicle code;
- (3) defines "special machinery" and sets a fee for registration;
- (4) provides that certain motor vehicles may be operated and registered as farm trucks, farm trailers, or farm semitrailers and tractors if not used for certain commercial enterprises;
- (5) makes it a Class C infraction (and a Class B infraction for a second offense within three years) to operate or own a farm truck, farm trailer, or farm semitrailer and tractor if the vehicle is used for certain commercial enterprises;
- (6) revises the definitions of "law enforcement officer" and "police officer" for purposes of the motor vehicle code to include a motor carrier inspector (inspector), and gives an inspector authority over violations of certain offenses involving a farm truck, farm trailer, or farm semitrailer;
- (7) requires the BMV to adopt rules to identify and define "farm truck", "farm trailer", and "farm semitrailer and tractor";
- (8) prohibits a police officer from impounding certain farm products when a vehicle is discovered in violation of registration requirements, and removes the penalty against an officer for a reckless violation of this provision;
- (9) revises the exclusion of certain garden tractors from the application of the Waste Tire Management Fund fee;
- (10) repeals the definitions of "farm machinery", "farm tractor used in transportation", and "special farm

machinery", and repeals references to those terms within the motor vehicle code;
(11) deletes an obsolete reference to a financing statement for a farm tractor;
(12) repeals the license fee for certain vehicles used in farming operations; and
(13) makes conforming amendments.

Effective Date: Upon passage; July 1, 2005.

Explanation of State Expenditures: (1)(Revised) For the BMV there will be printing and computer expenditures of an estimated \$5,000 associated with this proposal. The fund affected is the Motor Vehicle Highway Account (MVHA), which supports the BMV.

(8) The bill prohibits a police officer from impounding certain farm products when a vehicle is discovered in violation of registration requirements, and removes the penalty against an officer for a reckless violation of this provision. This will have an impact on the State Police and will depend upon the number of such occurrences and the time involved. The funds affected are the state General Fund, the Motor Vehicle Highway Account, and the Motor Carrier Regulation Fund. It also revises the definition of law enforcement officer and police officer to include motor carrier inspectors.

Explanation of State Revenues: *Summary:* The bill is estimated to increase revenues by \$1,052,240 annually.

(4) The bill provides that certain motor vehicles may be operated and registered as farm trucks, farm trailers, or farm semitrailers and tractors if not used for certain commercial enterprises.

Trucks plated as farm trucks pay 50% of the fee associated with a particular weight class. In CY 2003, the 13,457 farm trucks in the 11,000 lbs. category paid a total of \$564,172 in registration fees. With the elimination of the 11,000 lbs. farm truck plate, these trucks now will pay an additional \$437,352 in registration fees. The fund affected is the Motor Vehicle Highway Account.

The proposal also repeals the \$11.75 registration fee for farm tractors. In CY 2003, there were 64 farm tractors registered. Based on the 64 registrations, the revenue loss would amount to \$752. The funds affected are the Motor Vehicle Highway Account, the Crossroads 2000 Fund, the BMV Technology Fund, and the State License Branch Fund.

In addition, the bill removes the farm trailers plated at 12,000 lbs. In CY 2003, the 5,473 vehicles in the 12,000 lbs. category paid a total of \$224,260. With the elimination of the 12,000 lbs. category, these vehicles now will pay an additional \$109,640 in registration fees. The fund affected is the Motor Vehicle Highway Account.

The proposal also defines "special machinery". In CY 2003, there were 11,950 vehicles classified as "special machinery". It is assumed that 11,000 of these vehicles no longer will be classified as "special machinery", but instead will be classified as a farm trailer 16,000 lbs. The fee for "special machinery" is \$16.75, while the fee for a farm trailer 16,000 lbs. is \$62.75, a difference of \$46. The net revenue increase is estimated at \$506,000.

(5) *Penalty Provision:* The bill provides for a Class C infraction for the first offense and a Class B infraction for the second offense. If additional court cases occur, revenue to the state General Fund may increase if infraction judgments and court fees are collected. The maximum judgment for a Class C infraction is \$500, and \$1,000 for a Class B infraction, both of which are deposited in the state General Fund. If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed, 70% of which would be deposited

in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court

(9) Waste Tire Management Fund Exclusion: The bill changes the horsepower requirement for a lawn and garden tractor from 20 horsepower to 25 horsepower for imposition of the Waste Tire Management Fund fee. With this change, fewer new tires purchased will be subject to the \$0.25 fee. The fund affected is the Waste Tire Management Fund. The reduction in revenue attributable to lawn and garden tractors between 20 and 25 horsepower is not known.

Explanation of Local Expenditures: *(10)* This provision will have an impact on local law enforcement and will depend upon the number of such occurrences and the time involved.

Explanation of Local Revenues: *(Revised) Commercial Vehicle Excise Tax (CVET):* CVET is paid on Indiana-based and non-Indiana-based commercial motor vehicles with a plated gross vehicle weight exceeding 11,000 lbs. The tax is assessed as a percentage of registration fees and is apportioned on a mileage basis. CVET on farm-plated vehicles is assessed at 50% of the normal CVET rate. CVET revenues are distributed to all local civil taxing units and school corporations that impose a property tax levy.

Much like the way property tax rates are set, the rate at which CVET is charged is determined by dividing the base CVET revenue for a year by total registration fees. This bill would (a) increase the registration fees on some farm vehicles which are already subject to CVET, and (b) make some farm vehicles that currently pay the regular excise tax, subject instead to CVET by virtue of their move from an 11,000 lb. plate to a higher-weighted farm plate.

The increase in registration fees for some farm vehicles and the move from regular excise tax to CVET for others as a result of this bill would result in a shift of the CVET tax burden from nonfarm vehicles to farm vehicles of about \$665,000 in 2006 and \$700,000 in 2007.

Farm vehicles were responsible for 5.8% (\$3.1 M) of total collections in 2004 (\$53.7 M). Owners of farm vehicles would pay about 6.9% of the total CVET under the bill because of the plate changes.

This bill would not affect total CVET revenue.

The excise tax on the farm trucks that are being moved from excise tax to CVET by virtue of the plate change amounted to \$748,000 in CY 2003. The loss of regular excise tax payments by the owners of these vehicles would reduce local revenues.

State Agencies Affected: Bureau of Motor Vehicles; State Police; Department of Environmental Management; Department of Local Government Finance; Department of State Revenue.

Local Agencies Affected: Recipients of MVHA distributions; local law enforcement agencies.

Information Sources: Bureau of Motor Vehicles Cash Audit CY 2003.

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