

**NORTH CAROLINA GENERAL ASSEMBLY**

**LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** SB 886 (1<sup>st</sup> Edition)

**SHORT TITLE:** Trucking Adjustment Act of 1997

**SPONSOR(S):** Senator Jordan, et al

**FISCAL IMPACT**

	Yes (X)	No ( )	No Estimate Available ( )		
	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
<b>REVENUES</b>					
<b>HIGHWAY FUND</b>					
Truck Registration Fees	\$4,643,774	\$4,922,401	\$5,217,745	\$5,530,809	\$5,862,658
Civil Penalties	\$100,825	\$100,825	\$100,825	\$100,825	\$100,825
Axle Group Penalties	-\$1,142,246	-\$1,142,246	-\$1,142,246	-\$1,142,246	-\$1,142,246
Single/Tandem Axle Penalties		No Estimate of Revenue Loss Available			
<b>HIGHWAY TRUST FUND</b>					
Highway Use Tax	-\$11,888,700	-\$13,077,225	-\$14,385,350	-\$15,823,425	-\$17,405,825
	to	to	to	to	to
	-\$18,918,540	-\$20,809,845	-\$22,891,470	-\$25,179,885	-\$27,697,965
<b>EXPENDITURES</b>					
<b>HIGHWAY FUND</b>					
Division of Highways					
Highway Maintenance		No Estimate of Cost Increase Available			
Division of Motor Vehicles					
Permanent Truck Plates	\$0	\$124,410	-\$299,640	-\$299,640	-\$299,640
Branch Agent Payments	-\$24,811	-\$27,292	-\$30,022	-\$33,023	-\$36,325

**POSITIONS:** None

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Division of Highways  
 Division of Motor Vehicles

**EFFECTIVE DATE:** October 1, 1997

**BILL SUMMARY:** The proposed act makes the following changes to current law:

- 1) Exempts class A and class B motor vehicles from the Highway Use Tax. Class A and Class B vehicles are single or combination vehicles with a total gross registered weight of over 26,000 or a combination vehicle with a towed unit weighing over 10,000 pounds.
- 2) Increases the annual registration fee for commercial non-farm vehicles over 17,000 pounds from \$1.20 to \$1.30 per hundred pounds.
- 3) Provides that the penalty for truck axle-group overweight violations may not exceed the amount computed on the highest axle-group weight that exceeds the allowable limit, and that the penalty for single and tandem axle violations may be computed only on the largest violation.
- 4) Requires DMV to issue permanent truck and truck-tractor plates, rather than annual plates.
- 5) Increases the maximum length for a single vehicle with two axles to 35 ft and establishes a maximum length of 45 ft for vehicles with four or more axles.
- 6) Exempts from light traffic road restrictions all vehicles carrying forest products from farm or forest to first market (was only unprocessed forest products).
- 7) Increases the civil penalty for failure to comply with registration or insurance verification requirements from \$75 to \$1,000.

The proposed act also requires DMV to study the feasibility of implementing staggered registration for International Registration Plan vehicles.

**ASSUMPTIONS AND METHODOLOGY:**

Revenues

**Highway Use Tax:** The proposed act would exempt sale of class A and class B vehicles from payment of the Highway Use Tax. Class A and Class B vehicles are single or combination vehicles with a total gross registered weight of over 26,000 or a combination vehicle with a towed unit weighing over 10,000 pounds. The DMV computer system does not capture the number of Highway Use Tax transactions to class A and class B vehicles. It does, however, capture the number of title transactions for vehicles weighing over 26,000 pounds, which can serve as a proxy for this figure. The number of transactions for vehicles in this weight range for the last three calendar years are shown below:

Year	# Vehicles Titled
1994	13,540
1995	14,523
1996	17,901

These figures do not include multiple transfers of a single vehicle within a single year, and so may understate the number of taxable transactions that would be affected by the proposed act. The number of transactions is projected to increase at a rate of ten percent per year, resulting in the following number of taxable transactions for each fiscal year:

**FY 1997-98   FY 1998-99   FY 1999-00   FY 2000-01   FY 2001-02**

Transactions                      20,676                      22,743                      25,018                      27,519                      30,271

Based on the weight of the vehicles involved, it can be assumed that the maximum highway use tax amount of \$1,000 is applied to each transaction. However, title transactions involving vehicles titled in another State for at least 90 days prior to being titled in North Carolina are charged a maximum Highway Use Tax of \$150. DMV can not provide data on the number of transactions involving the titling of vehicles from other States in this weight group. Assuming that between 10 percent and 50 percent of the transaction involve vehicles from other States, a range of revenue loss can be estimated. For example, if all applicable transactions result in the maximum Highway Use Tax payment of \$1,000 during FY 1997-98, the revenue loss is \$20,676,000. If 10 percent of the transactions involve vehicles from other States at a payment of \$150, then the revenue loss is \$18,918,540. If 50 percent of the transactions involve vehicles from other States at a payment of \$150, then the revenue loss is \$11,888,700.

**Truck Registrations:** As of November 30, 1996, there were 59,870 IRP vehicles and 80,207 other non-farm commercial vehicles weighing over 17,000 pounds. Based on the registered weights of the vehicles, a 10 cent increase in the registration fee would result in a revenue increase of \$2,813,936 for non-IRP vehicles, and \$4,149,293 for IRP vehicles. Since the fee collected on IRP vehicles is prorated according to the miles driven in North Carolina, only the North Carolina portion would be retained as additional revenue. For FY 1995-96, North Carolina retained 44.1 percent of the registration fees on IRP vehicles. Applying this same percentage to the projected revenue increase from IRP vehicles yields a North Carolina revenue increase of \$1,829,838. Revenues from truck licenses and IRP fees have grown an average of 6 percent per year over the last five fiscal years. This percentage is used to project future revenue gains from the fee increase.

**Single and Tandem Axle Penalties:** During FY95-96 there were 9,289 single and tandem axle weight violations with penalties assessed of \$1,082,061. The data available on single and tandem axle violations does not allow a determination of the number of penalties that would not have been imposed under the provisions of the bill.

**Axle-Group Penalties:** Using data collected from the axle-group penalty report for FY 95-96, DMV determined that penalties for axle groups 1-5, 2-4, 2-6, and 4-6 would not have been assessed had this proposed bill been in effect during FY95-96. Therefore, the only actual over-axle group penalties that would have been assessed during FY95-96, would have been axle groups 2-5, 1-4 and 1-6.(see chart below). This would have resulted in a loss in revenue of \$1,142,246. The amount of penalties collected in the future is not expected to fluctuate greatly; therefore, projected revenue loss for the out years should remain the same.

<b>Actual FY95-96</b>		<b>Anticipated</b>	
Axle Group	Penalty Assessed	Penalty Assessed	Revenue Loss
1-5	\$ 870,329		\$ 870,329
2-4	164,113		164,113

2-6	81,273		81,273
4-6	26,531		26,531
2-5	1,117,394	\$ 1,117,394	
1-4	231,651	231,651	
1-6	102,595	102,595	
Total	\$ 2,593,886	\$ 1,451,640	(\$ 1,142,246)

**Civil Penalties:** During FY95-96, a total of 109 citations were issued for motor carrier insurance verification violations at various penalty levels. At \$75 each, penalties totaling \$8,175 would have been assessed. At \$1,000 per citation, penalties would have been \$109,000, for an increase of \$100,825. This figure is not expected to change significantly in the future.

Expenditures

**Highway Maintenance:** The Division of Highways indicates that the proposed act’s provisions related to axle weight penalties and light traffic road restrictions will increase the weight of vehicles on State highways, and that this increased weight will cause increased wear of those highways, requiring additional maintenance expenditures. The Division of Highways can not quantify the amount of additional maintenance expenditures that would required by the provisions of the proposed act.

**Permanent Plates:** DMV reports that the 1998 commercial plates have been ordered. Unless these plates are abandoned, permanent plates could not be issued until January 1999. The cost of each current annual plate is \$1.32. The cost of each permanent plate is \$1.65.

Current Law:	377,000 annual plates at \$1.32 = \$497,640
Proposed FY98-99	377,000 permanent plates at \$1.65 = \$622,050
Proposed FY99-02	120,000 (inventory) @ \$1.65 = \$198,000

**Payments to Branch Agents:** Vehicle registration branch agents are compensated \$1.20 for each Highway Use Tax transaction. The proposed act would exempt sale of class A and class B vehicles from payment of the Highway Use Tax. Class A and Class B vehicles are single or combination vehicles with a total gross registered weight of over 26,000 or a combination vehicle with a towed unit weighing over 10,000 pounds. The DMV computer system does not capture the number of Highway Use Tax transactions to class A and class B vehicles. It does, however, capture the number of title transactions for vehicles weighing over 26,000 pounds, which can serve as a proxy for this figure. Based upon the number of taxable transactions listed above under the Highway Use Tax revenue loss projections, payments would not be made for the following number of Highway Use Tax transactions for each fiscal year:

	<u>FY 1997-98</u>	<u>FY 1998-99</u>	<u>FY 1999-00</u>	<u>FY 2000-01</u>	<u>FY 2001-02</u>
Transactions	20,676	22,743	25,018	27,519	30,271

**TECHNICAL CONSIDERATIONS:** Section 5 of the proposed act, in amending the provisions of the single or tandem axle weight penalties, refers to the “highest *axle-group* weight

that exceeds the allowable limit.” If the intent of this section is to allow only the highest single or tandem axle weight violation to be charged, then the phrase “axle weight,” should be substituted for “axle-group weight.”

The proposed change in the axle weight violation provisions may conflict with the Federal law (23 U.S.C. 127), which sets maximum axle and vehicle weight limits on interstate highways. If a vehicle traveling on an interstate highway is in violation of the Federal maximum axle weight on more than one axle, assessing a penalty on only the largest axle violation would amount to a tolerance of the violation. The Federal Highway Administration has that such tolerances of violations could result in sanction procedures to withhold federal-aid funds indicated (Federal Register - December 16, 1993).

**FISCAL RESEARCH DIVISION**

**733-4910**

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**APPROVED BY:** Tom CovingtonTomC

**DATE:** May 2, 1997



**Signed Copy Located in the NCGA Principal Clerk's Offices**