

COUNTY OF MILWAUKEE
INTEROFFICE COMMUNICATION

DATE : October 18, 2016

TO : Michael Mayo, Sr., Chair, Transportation, Public Works and Transit Committee
Peggy West, Chair, Finance & Audit Committee

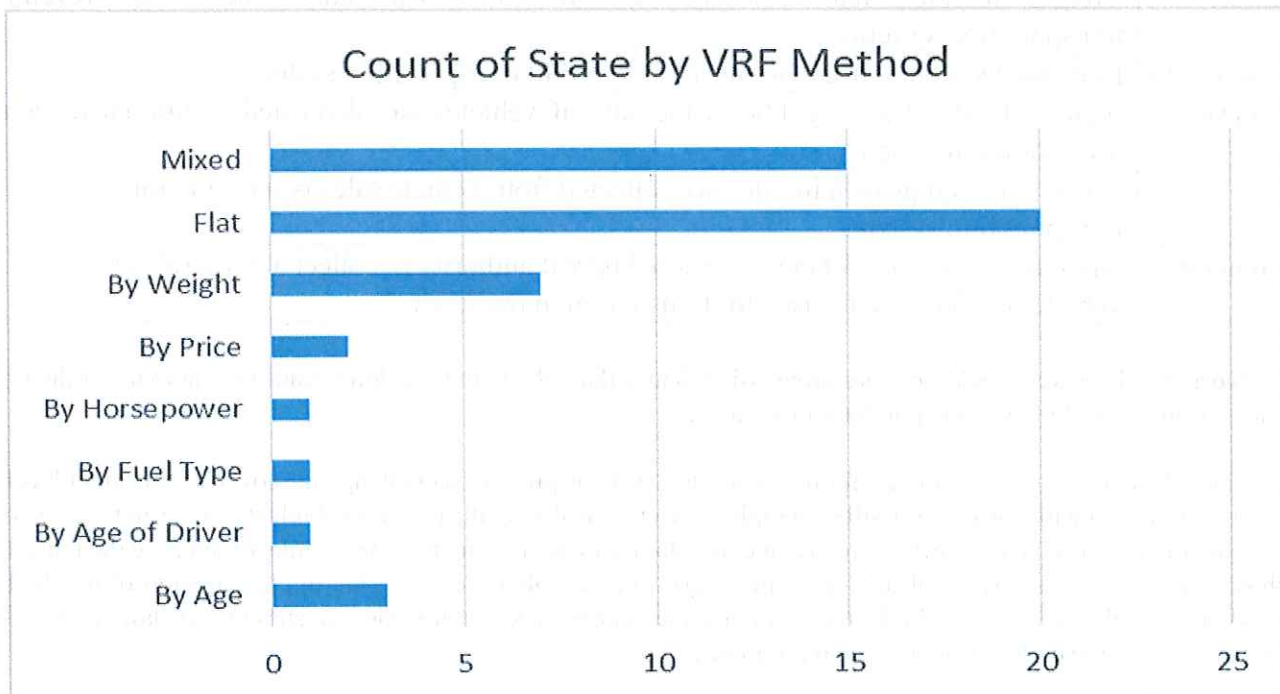
FROM : Steven Kreklow, Director of Performance, Strategy, and Budget

SUBJECT : A report regarding alternative approaches to the Vehicle Registration Fee (VRF) taken by other states

Background/Analysis

This report provides information regarding alternative approaches to the Vehicle Registration Fee used by other states. This report is being provided at the request of the committee to look at what methods other states or municipalities use to calculate their Vehicle Registration Fees (VRFs). This information is provided in comparison to the Milwaukee County VRF proposed in the County Executive’s 2017 Recommended Budget. If adopted, Milwaukee County would issue a flat fee for the VRF, which is mandated and administered by the State of Wisconsin under Wisconsin Stats §341.35. The 2017 Recommended Budget includes language directing county staff to lobby the State to modify current statutes to implement a vehicle registration fee that has less of an adverse impact on low income citizens.

Using a flat fee for vehicle registration is still the most common method across the United States, although other alternatives are becoming more common. Other approaches typically involve using one or more variables to determine the amount of the VRF charged for each vehicle. Variables include: vehicle weight, vehicle price, year of registration, vehicle horsepower, and the model year of the vehicle. Below is a cluster chart showing how all 50 states calculate their VRF¹.



¹ National Conference of State Legislators, <http://www.ncsl.org/research/transportation/registration-and-title-fees-by-state.aspx>

Examples

In Minnesota, the state VRF is calculated using a mix of the base value of the vehicle and the model year of the vehicle. For a vehicle with a base value of \$4,800 and a model year earlier than 2006 the annual VRF would be \$35. In contrast if the base value of the vehicle was \$100,000 for a model year 2017 vehicle, the VRF would be \$1,259. The State of Minnesota releases a new chart every year to update these values, therefore the VRF reduces over time as the vehicle ages. This mixed method provides the most progressive approach to the VRF, as the burden of the VRF decreases for those who are least able to afford it.

The VRF for a passenger vehicle in Arizona is calculated using the following methodology: \$8.00 flat fee, plus \$1.50 air quality research fee, plus a Vehicle License Tax (VLT). The VLT in Arizona is set at \$2.80 for every \$100 of assessed value up to 60% of the Manufacturer's Suggested Retail Price of the new vehicle. Therefore, a vehicle with MSRP of \$25,000 would be paying a \$420 VLT for the first year of registration. In the years following the year of purchase, the tax decreases by 16.25% for each year. Like Minnesota this approach is more progressive than the flat fee in Wisconsin, as it provides relief based on the value of the car.

One final example of different approaches taken at the state-level is Iowa. The Iowa method is to calculate the annual VRF based upon the weight and list price of the vehicle. For example, a vehicle that weighs 3,000 lbs. and has a list price of \$18,500 will be issued a VRF based on the following breakdown: 0.4% of 3,000, or \$12, and 1% of \$18,500, or \$185. The total annual VRF for this vehicle would be \$197.

Dedicated Vehicle Sales Taxes

Since 2012, in addition to the various methodologies utilized to calculate vehicle registration fees, several states have implemented sales taxes on sales of vehicles and utilize the revenues to support transportation systems².

State	Description
Delaware	Created an additional 0.5% sales tax on vehicle sales and dedicated the revenue transportation systems.
Massachusetts	Dedicated sales tax from the sale of vehicles to transportation systems.
South Dakota	Increased sales taxes by 1% on the sale of vehicles and dedicated additional revenue transportation systems.
Texas	A portion of all growth in sales tax collected from vehicle sales is set aside for transportation systems.
Washington	Authorized the Sound Transit, regional transit authority to collect a 0.8% sales tax on vehicle purchases to be used for transportation purposes.

These types of sales taxes would be more progressive than a flat vehicle registration because the amount of the tax increases as the cost of the vehicle purchased increases.

Identifying adequate sources of funding for transportation systems presents a challenge for governments at all levels across the nation and will likely be a significant topic of discussion during the upcoming budget process at the State of Wisconsin. Many states have identified creative methodologies for increasing revenues while minimizing the impacts on those least able to pay. Milwaukee County may very well be able to leverage the implementation of a vehicle registration fee in the 2017 County budget to encourage the State to make modifications to current State law and ensure adequate revenues are collected in a fair and progressive manner.

² Transportation for America, <http://t4america.org/maps-tools/state-transportation-funding/>



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