

SF 2420 TIME-21 Revenues

Senate File 2420 increases the fees collected from annual motor vehicle registration, trailer registration, and motor vehicle certificates of title; deposits the increased revenues in the TIME-21 Fund established in Code chapter 312A; creates the Statutory Allocations Fund; establishes a "fee for new registration" and repeals the use tax on vehicles subject to registration.

Division I – Motor Vehicles

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| Section 1 | Amends Code section 312.2, Code Supplement 2007, to credit annually to the TIME-21 Fund the revenues in excess of \$392 million accruing to the Road Use Tax Fund (RUTF) from annual motor vehicle registration fees for passenger cars, multipurpose vehicles and motor trucks. Repeals the subsection as of June 30, 2028. |
| Section 2 | Amends Code section 321.1 by adding a new subsection defining a "business-trade truck" as a motor vehicle with an unladen weight of 10,000 pounds or less that is owned by a corporation, limited liability company, or partnership or by a person who files a schedule C or schedule F form with the federal Internal Revenue Service and which is eligible for depreciation under Section 167 of the Internal Revenue Code. Applies a similar definition if the motor truck is a leased vehicle. |
| Section 3 | Amends Code section 321.109 to increase registration fees for 3-, 4-, and 5-ton trucks. Provides that, beginning with model year 2010 vehicles, the annual registration fee for a truck with an unladen weight of 10,000 pounds or less will be based on the weight/value formula that is established in Code section 321.109 and applies to most passenger vehicles. Does not apply to a vehicle that is registered as a special truck under Code section 321.121 or as a business-trade truck under Code section 321.122. |
| Section 4 | Amends Code section 321.113 to lengthen the automatic reduction formula that applies to motor vehicles registered under Code section 321.109. Owners of motor vehicles will pay an annual registration fee based on 100 percent of the weight/value formula for an additional two years (seven years instead of the current five years). The annual registration fee declines as the motor vehicle ages, to a minimum flat fee of \$50 for a vehicle 12 model years old or older. |

If the registration is a renewal for a vehicle registered to the same owner prior to January 1, 2009, the annual registration fee shall not be more than the fee paid for the previous registration year. Provides a grandfather clause for a motor vehicle registered as an antique vehicle by the same owner prior to January 1, 2009. Sets at 60 percent the portion of the annual registration fee that is attributable to the value of the vehicle, for motor vehicles 12 model years old or older.

Section 5

Creates new Code section 321.120 to establish application requirements for a new owner who registers a motor vehicle as a business-trade truck. The DOT may adopt rules. If requested by the DOT or a county treasurer, the Department of Revenue shall confirm or refute that an applicant for registration of a business-trade truck meets the criteria for such registration, as established in the definition of business-trade truck. Provides that the county treasurer shall issue registration plates that distinguish the vehicle as a business-trade truck. Provides financial penalties a person is required to pay if the DOT determines the person knowingly registered a vehicle as a business-trade truck and is not qualified for such registration.

Section 6

Amends Code section 321.121 to increase fees for special trucks registered for up to 18 tons.

Section 7

Amends Code section 321.122, subsection 1, concerning annual truck registration fees, other than model year 2010 and subsequent model year motor trucks required to be registered under Code section 321.109. Sets flat annual registration fees for business-trade trucks and increases the fees for truck tractors, road tractors and motor trucks purchased or transferred after January 1, 2009, which are model year 2009 or older vehicles and are registered for a combined gross weight not exceeding nine tons. Provides that the annual registration fee for such a vehicle with a combined gross weight of three tons or less is \$150 and declines as the vehicle ages to a flat fee of \$50 for a vehicle that is 12 model years old or older. Establishes the fee for a truck exceeding 3 tons but not exceeding 4 tons as \$165 and the fee for a truck exceeding 4 tons but not exceeding 5 tons as \$180. If the registration is a renewal for a truck tractor, road tractor or motor truck registered to the same owner prior to January 1, 2009, the fees are not increased.

- Section 8 Amends Code section 321.152 concerning fees retained by a county treasurer for motor vehicle titling and registration to provide that a county treasurer may retain 25 percent of each penalty collected for improper business-trade registration under Code section 321.120.
- Sections 9 and 10 Amend Code sections 422.20 and 422.72 to conform to new Code section 321.120.
- Section 11 Provides that Division I of the Act takes effect January 1, 2009, and applies to vehicles registered for registration years beginning in 2009 and subsequent years.
- Division II – Title Fees*
- Section 12 Amends Code section 312.2, Code Supplement 2007, to credit monthly to the TIME-21 Fund, an amount equal to \$10 for each certificate of title issued for a motor vehicle or trailer and an amount equal to \$8 for each salvage certificate issued to a vehicle. Repeals the subsection as of June 30, 2028. The amounts credited to the TIME-21 Fund are equal to the revenues generated by the increase in title fees under this Division of the Act.
- Sections 13-20 Amend various Code chapter 321 sections to increase the fee charged for issuance of a certificate of title for a motor vehicle or trailer from \$10 to \$20 and the fee for a salvage certificate of title and for a motor vehicle returned to a manufacturer (Iowa lemon law) from \$2 to \$10.
- Section 21 Provides that Division II of the Acts takes effect January 1, 2009.
- Division III – Trailer Registration Fees*
- Section 22 Amends Code section 312.2, Code Supplement 2007, to establish a new subsection requiring the state treasurer to credit monthly to the TIME-21 Fund an amount equal to \$10 from each trailer registration fee for trailers 2,000 pounds or less, \$20 from each trailer registration fee for trailers over 2,000 pounds, and one-third of the amount collected from trailer registration fees for travel trailers. The subsection is repealed June 30, 2028. (Trailer registration fees are established in Code section 321.123.)

Section 23 Strikes Code section 321.122, subsection 2, concerning annual registration fees for trailers and semitrailers. Similar language is added to Code section 321.123.

Section 24 Amends Code section 321.123 to increase annual registration fees for trailers. The annual registration fee increases from \$10 to \$20 for a trailer weighing 2,000 pounds or less, from \$10 to \$30 for a trailer weighing over 2,000 pounds, and from 20 cents to 30 cents per square foot for a travel trailer.

Section 25 Provides that Division III of the Act takes effect January 1, 2009, and applies to trailers registered for registration years beginning in 2009 and subsequent years.

Division IV - Studies

Section 26 Requires the DOT to conduct an analysis of additional revenues needed to provide at least \$200 million dollars annually to the TIME-21 Fund by FY 2012, including analysis of motor fuel excise taxes and other fees collected by the DOT.

Section 27 Requires the DOT, in cooperation with the Office of Energy Independence and the Department of Natural Resources, to review the current revenues available for support of public transit and the sufficiency of those revenues to meet future needs. The review shall include but is not limited to identifying transit improvements needed to meet state energy independence goals and the needs of Iowa's growing senior population. The DOT is required to submit a report to the Governor and the General Assembly on or before December 1, 2009.

Division V – Motorcycle Operator's License Fee

Sections 28-30 Amend Code section 312.2, subsection 16, Code Supplement 2007; section 321.191; and section 321.145, if enacted as by the 82nd General Assembly, 2008 session, to increase the motorcycle rider education fee from \$1 to 2 per year of motorcycle license validity. An amount equal to the amount of the fee is deposited in the Motorcycle Rider Education (MRE) Fund established in Code section 321.180B. Code section 321.145 is enacted in section 36 of this Act.

Section 31 Provides that if Code section 312.2, subsection 16, Code Supplement 2007, is stricken by an Act of the 2008 Session of the 82nd General Assembly, the section in this Division of this Act amending the subsection is void. Subsection 16 requires the state treasurer to credit the motorcycle rider education fee amount from the RUTF to the MRE Fund. It was stricken by section 33 of this Act; section 36 of this Act provides for the moneys to be credited to the MRE Fund from the Statutory Allocations Fund created in that section.

Division VI – Use Tax on Motor Vehicles Repealed – Fee for New Registration Imposed

Division VI eliminates the use tax on motor vehicles subject to registration and the use tax on leased motor vehicles, provides alternate sources of revenue for purposes currently funded from revenues derived from the motor vehicle use tax, and establishes a one-time motor vehicle registration fee called the "fee for new registration."

Part 1 – Road Use Tax Fund

Section 32 Amends Code section 312.1 to direct that revenue derived from the use tax collected under Code section 423.26, related to vehicles required to be issued a certificate of title but not registered and to leased vehicles, be deposited in the RUTF to the extent provided under Code section 321.145, subsection 2, which establishes the Statutory Allocations Fund (SAF).

Section 33 Strikes Code section 312.2, subsections 14 and 16, Code Supplement 2007.

Section 34 Amends Code section 312.2, Code Supplement 2007, to require the state treasurer to credit monthly from the RUTF to the Primary Road Fund an amount equal to ten percent of the revenues collected from the "fee for new registration" for use on the Commercial and Industrial Network. The fee for new registration is established in new Code section 321.105A (section 40 of the Act). This purpose was previously funded at the same level from use tax revenue prior to deposit in the RUTF (see Code section 423.43, 2007 Code).

Section 35 Amends Code section 321.52A to direct that the \$5 certificate of title surcharge collected under that section be deposited in the SAF established in Code section 321.145, subsection 2.

- Section 36 Amends Code section 321.145 concerning the disposition of moneys and fees collected under Code chapter 321. Subsection 2 establishes the Statutory Allocations Fund (SAF), directs that certain revenues be deposited in the fund, and identifies how moneys in the fund shall be credited. Provides that any remaining revenues shall be credited to the RUTF.
- Section 37 Amends Code section 423C.5 to require that the automobile rental excise tax shall be credited to the SAF rather than to the RUTF.
- Part 2 – Fee for New Vehicle Registration*
- Section 38 Amends Code section 321.1 to define "registration fees" to include both the annual vehicle registration fee and the fee for new vehicle registration established in new Code section 321.105A.
- Section 39 Amends Code section 321.2 to provide that the director of the Department of Revenue shall administer and enforce the collection of the fee for new registration established in new Code section 321.105A.
- Section 40 Creates new Code section 321.105A that imposes a "fee for new registration" in the amount of 5 percent of the purchase price for each vehicle subject to registration. The fee for new registration shall be paid by the owner of the vehicle to the county treasurer at the time application is made for a new registration and certificate of title, if applicable. The fee for new registration is generally imposed and collected in the manner as the vehicle use tax.
- Subsection 1 includes definitions.
- Subsection 2 identifies exemptions that correspond with exemptions provided from the motor vehicle use tax.
- Subsection 3 addresses the imposition of the fee for new registration on leased vehicles.
- Subsection 4 requires the Director of the Department of Revenue, in consultation with the DOT, to administer and enforce the fee for new registration.

Subsection 5 requires a licensed vehicle dealer who maintains a place of business in Iowa to collect the fee for new registration at the time of making a sale of a vehicle subject to registration for use in Iowa, and to forward the fees to the county treasurer in the same manner as annual registration fees.

Subsection 6 provides that a fee for new registration is not refundable except in certain circumstances which are identified.

Subsection 7 provides penalties for false statements in regard to the purchase price of a vehicle subject to a fee for new registration.

Part 3 – Motor Vehicle Use Tax – Repeal

Sections 41-46

Repeal the use tax on vehicles subject to registration and the motor vehicle lease tax, except for the tax on the use of leased vehicles if the lease transaction does not require titling and registration of the vehicle. The use tax on vehicles subject only to a certificate of title, which applies to mobile homes, and on manufactured homes is retained under the bill. The resulting revenue is deposited in the SAF.

Part 4 – Conforming Amendments

Sections 47-123

Contain conforming amendments to the Code relating to the repeal of the use tax on vehicles subject to registration and the establishment of the fee for new registration.

Part 5 – Contingent Conforming Amendments

Sections 124-129

Make various amendments to Code sections 423.5, 423.43, and 2008 Iowa Acts, House File 2663, and provide that Part 5 takes effect only upon the enactment of 2008 Iowa Acts, House File 2663. House File 2663, concerning the School Infrastructure Local Option tax, was signed by the Governor on May 6, 2008.

Part 6 – Effect on Prior Law

Section 130

States that the enactment of Division VI of the Act does not affect a person's liability for previous use tax, penalty or interest owed prior to the effective date of the Act.

Section 131

Provides that section 120 of the Act amending Code section 321.115 as amended by 2007 Iowa Acts, chapter 143, section 12; and section 128 amending 2007 Iowa Acts, chapter 179, take effect January 1, 2009.