

Preliminary Research Plan: House Bill 1522, Topic: Trailer Registration

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Support: n/a

Deputy Executive Director Approval: Initial:  Date: 4/14/16

Executive Director Approval: Initial:  Date: 4/18/2016

Purpose

To study the effects of changing the definitions and registration tax structure for trailers and authorizing county clerks to collect an additional fee on trailer registrations.

Background

The House Transportation Subcommittee asked the Commission to study House Bill 1522 by Matlock. The companion bill, Senate Bill 1634 by McNally, was sent to the Senate Transportation and Safety Committee. The bill would have deleted various provisions that distinguish different types of trailers, such as privately owned trailers and house trailers and redefined "trailer" to include pole trailers and semitrailers. It would also have imposed the registration tax on all trailers and changed the amount of the registration tax. Currently, the registration tax on trailers is

- (1) \$9.50 on privately owned trailers and trailers held for public rental, not exceeding eight feet in width and less than 20 feet in length exclusive of the tongue, all trailers that are limited to vacationing and camping purposes unless otherwise exempted under present law, and any privately owned trailer or semitrailer that is otherwise exempted but the owner desires to be registered;
- (2) \$19.00 on mobile homes or house trailers, whether privately owned or held for public rental, the chassis and exterior shell of which are designed and constructed for occupancy, but with dimensions not exceeding eight feet in width; and
- (3) \$31.00 on mobile homes or house trailers, whether privately owned or held for public rental, the chassis and exterior shell of which are designed and constructed for occupancy, but with dimensions exceeding eight feet.

Effective January 1, 2017, the registration tax would have been

- (1) \$25.00 on trailers with one axle,

(2) \$35.00 on trailers with two axles, and

(3) \$45.00 on trailers with three or more axles.

Further, the bill would have authorized county clerks to collect an additional fee of \$1.00 for each initial issuance of registration and registration plates for trailers.

Step 1. Define the Problem

What is the appropriate amount to charge for trailer registration to make fees charged adequate to cover road wear and other public costs of trailer use while treating trailer owners equitably relative to owners of similar sized trailers/vehicles and owners of larger or smaller trailers/vehicles? To which types of trailers should the registration tax apply?

Step 2. Assemble Some Evidence

- Review referred legislation.

Review House Bill 1522 and related statutes and regulations to determine what the bill does.

Review committee hearings on the bill and summarize comments and concerns of committee members, the bill sponsors, and others speaking for or against the bill.

Interview the bill's sponsors, proponents, and other stakeholders to determine what is driving this issue.

Review the fiscal note. Consult with Fiscal Review Committee staff and follow up with agencies submitting support forms to determine the estimated cost and the method and rationale for the estimates.

- Review relevant federal statutes and regulations.
- Review similar laws and regulations in other states.
- Review relevant literature and data sets including data on current registrations and registration tax collections.
- Consult with transportation and engineering experts at TDOT, local highway departments, and other organizations about potential wear and tear from trailers and similar vehicles and associated road maintenance and repair costs.

Step 3. Construct Alternatives

Alternatives will be based on

- current law,
- proposed changes in the current law, and
- any additional alternatives drawn from the research and analysis in Step 2.

Each alternative will be described specifically enough to project outcomes in Step 5.

Step 4. Select Criteria

- Costs, direct and indirect
 - To state
 - To local governments
 - Businesses
 - Individuals
- Equity
- Receptiveness of
 - State government
 - Local governments
 - General public
 - Other stakeholders

Step 5. Project Outcomes

- Estimate cost of
 - Tax
 - Wear and tear to roads
- Estimate the acceptability to the state and local governments, the general public, businesses and individuals owning trailers, and other affected stakeholders.

Step 6. Confront Trade-offs

- How will the differences between the current law and the other alternatives affect the public and businesses?
- What are the pros and cons of the potential solutions?

Step 7. Decide which alternatives to present to the Commission

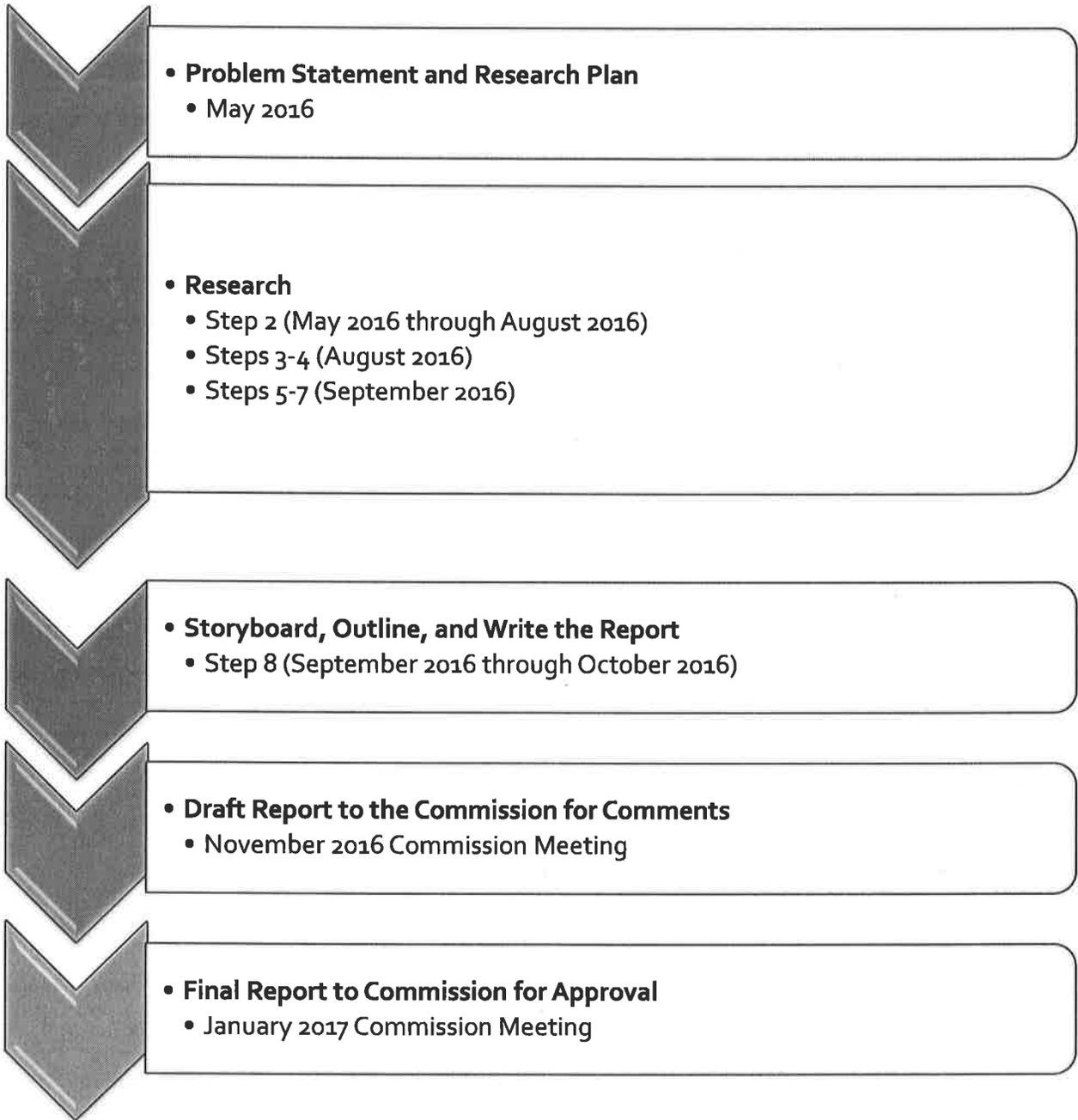
Based on the results of Step 6, choose the alternatives that most practically and realistically resolve the problem.

Step 8. Produce the Draft Report

Develop and present a draft for review and comment to the Commission.

Revisit Steps 5 through 8.

- Respond to feedback from Commission regarding outcome projections, trade-offs, and selection of alternatives.
- Revise and edit the draft to reflect comments of the Commission.
- Submit final report to the Commission for approval.



HOUSE BILL 1522

By Matlock

AN ACT to amend Tennessee Code Annotated, Title 5,
Chapter 8, Part 1; Title 55 and Title 67, relative to
registration of trailers.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 55-4-111(a)(1), is amended by deleting all language under the heading "Class (D)" and substituting instead the following:

- | | |
|---|-------|
| (i) Trailers with one (1) axle | 25.00 |
| (ii) Trailers with two (2) axles | 35.00 |
| (iii) Trailers with three (3) or more axles | 45.00 |

SECTION 2. Tennessee Code Annotated, Section 55-4-111(a)(1), is further amended by deleting the following language:

motor vehicles, excepting such motor vehicles as are constructed for the purpose of transporting tangible personal property or other property,

and substituting instead the following:

motor vehicles and trailers, excepting such motor vehicles as are constructed for the purpose of transporting tangible personal property or other property,

SECTION 3. Tennessee Code Annotated, Section 55-4-111, is further amended by deleting subsections (c) and (f) in their entireties.

SECTION 4. Tennessee Code Annotated, Section 55-1-105, is amended by deleting subsections (b)-(e) and substituting instead the following:

(b) "Mobile home or house trailer" means any trailer that is designed for use as a dwelling place, living abode, or sleeping place, either permanently or temporarily, or whose chassis and exterior shell are designed for use as a dwelling place, living abode,

or sleeping place, but which is used instead for the advertising, sales, display, or promotion of merchandise or services, as an office, storehouse, or warehouse, or for any other commercial purpose. "Mobile home or house trailer" includes any "manufactured home" as defined in subsection (a).

(c) "Pole trailer" means every trailer that is attached to the towing vehicle by means of a reach, or pole, or by being boomed or otherwise secured to the towing vehicle, and ordinarily used for transporting long or irregularly shaped loads such as poles, pipes, or structural members capable, generally, of sustaining themselves as beams between the supporting connections.

(d) "Semitrailer" means every trailer that is so constructed that some part of its weight and that of its load rests upon or is carried by another vehicle.

(e) "Trailer" means every vehicle that is not self-propelled, that is designed for carrying persons or property and for being drawn by a motor vehicle, and that is equipped for use as a conveyance on streets and highways. "Trailer" includes pole trailers, semitrailers, mobile homes, and house trailers.

SECTION 5. Tennessee Code Annotated, Section 55-1-103(c), is amended by deleting the last sentence in its entirety.

SECTION 6. Tennessee Code Annotated, Section 55-4-101(a)(1), is amended by deleting the language "motor vehicle" wherever it appears and substituting instead the language "motor vehicle or trailer".

SECTION 7. Tennessee Code Annotated, Section 55-4-101(a)(2), is amended by deleting the language "motor vehicles" and substituting instead the language "motor vehicles and trailers".

SECTION 8. Tennessee Code Annotated, Section 55-4-101(l)(1), is amended by deleting the language ", where required under the provisions of this title,".

SECTION 9. Tennessee Code Annotated, Section 55-4-111(d), is amended by deleting the language "may register each trailer, for a period of ten (10) years, and annually pay the registration fee;" and substituting instead the language "may register each trailer for a period of

ten (10) years, in lieu of the one-year period required by § 55-4-101, and annually pay the applicable registration fee prescribed by Class (D) of subdivision (a)(1);".

SECTION 10. Tennessee Code Annotated, Section 55-4-113(a)(5), is amended by deleting subdivision (C) and substituting instead the following:

(C) On or after January 1, 2017, all trailers, including trailers, pole trailers, and semitrailers used primarily for hauling freight, shall be registered and the fee imposed shall be the applicable fee prescribed by Class (D) of § 55-4-111(a)(1). An owner of any trailer issued a permanent registration plate prior to January 1, 2017, pursuant to this subdivision (a)(5) as it existed prior to January 1, 2017, shall be entitled to retain the plate for vehicular use in accordance with this subdivision (a)(5).

SECTION 11. Tennessee Code Annotated, Section 55-4-113(a)(5)(A), is amended by deleting the language "Freight trailers, semi-trailers, and pole trailers used primarily for hauling freight" and substituting instead the language "Prior to January 1, 2017, freight trailers, semitrailers, and pole trailers used primarily for hauling freight".

SECTION 12. Tennessee Code Annotated, Section 55-4-209(6), is amended by deleting the language "that is permitted, but not required, to be" and "or semitrailer" wherever it appears.

SECTION 13. Tennessee Code Annotated, Section 55-4-211, is amended in subdivision (b)(2) by deleting the language "or recreational vehicle or trailer or semitrailer that is not required to be registered but that the owner desires to be registered pursuant to § 55-4-111(c)(3)," and substituting instead the language ", recreational vehicle, or trailer,".

SECTION 14. Tennessee Code Annotated, Section 55-6-104, is amended by adding the following new subsection:

(e) In addition to the fee provided in subdivision (a)(1), the county clerks shall be entitled to the fee of one dollar (\$1.00) from applicants for the initial issuance of each set

of certificates of registration and registration plates for trailers registered pursuant to § 55-4-111(a)(1).

SECTION 15. Tennessee Code Annotated, Section 55-4-104(c)(1)(B), is amended by inserting the following at the end of the subdivision immediately preceding the semicolon:

, except that such term excludes pole trailers and semitrailers

SECTION 16. Tennessee Code Annotated, Section 67-4-1901(a), is amended by inserting the language ", other than pole trailers or semitrailers," immediately after the language "or trailers as defined in § 55-1-105".

SECTION 17. For the purpose of promulgating rules, this act shall take effect upon becoming a law, the public welfare requiring it. For all other purposes, this act shall take effect January 1, 2017, the public welfare requiring it.

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 1522 - SB 1634

March 2, 2016

SUMMARY OF BILL: Requires all trailers, whether for personal or commercial use, to be registered based on the following fee schedule: trailers with one axle - \$25.00; trailers with two axles - \$35.00; trailers with three or more axles - \$45.00. Establishes that such registration requirements shall apply to currently exempt trailers, such as trailers owned by farmers and used for agricultural purposes or hauling livestock between farm and market, trailers used for the transportation of boats or drawn by an automobile or truck, trailers used in the furtherance of a business, or truck trailers registered under the law for freight motor vehicles. Authorizes owners of freight trailers, semi-trailers, and pole trailers used primarily for hauling freights and trailers used in the furtherance of a business, who have received permanent registration plates pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A) prior to January 1, 2017, to retain such plates during the owner's interest in that vehicle. Authorizes county clerks to impose an additional \$1.00 fee on the initial issuance of registration and registration plates for trailers.

ESTIMATED FISCAL IMPACT:

Increase State Revenue – Net Impact –

\$364,800/FY16-17/General Fund
\$4,153,400/FY16-17/Highway Fund
\$238,800/FY16-17/Police Pay Supplement Fund
\$160,000/FY16-17/TRUST Fund

\$729,500/FY17-18 and Subsequent Years/General Fund
\$8,306,900/FY17-18 and Subsequent Years /Highway Fund
\$477,500/FY17-18 and Subsequent Years /Police Pay Supplement Fund
\$320,000/FY17-18 and Subsequent Years /TRUST Fund

Increase State Expenditures – \$960,000/FY16-17/General Fund

Increase Local Revenue – \$569,000/FY16-17
\$578,000/FY17-18
\$18,000/FY18-19 and Subsequent Years

Assumptions:

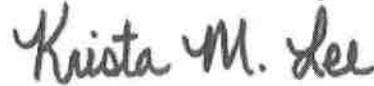
- Pursuant to Tenn. Code Ann. § 55-4-111(a)(1), the following registration fees are set under current law:
 - \$9.50 for privately owned trailers and trailers held for public rental, not exceeding eight feet in width and less than twenty feet in length, exclusive of the tongue, and all trailers which are limited to vacationing and camping purposes, unless otherwise exempted under present law, and any privately owned trailer or semitrailer that is otherwise exempted, but the owner desires to be registered;
 - \$19.00 for mobile homes or house trailers, whether privately owned or held for public rental, the chassis and exterior shell of which are designed and constructed for occupancy, but with dimensions not exceeding eight feet in width; and
 - \$31.00 for mobile homes or house trailers, whether privately owned or held for public rental, the chassis and exterior shell of which are designed and constructed for occupancy, but with dimensions exceeding eight feet.
- Pursuant to Tenn. Code Ann. § 55-4-111(c), such registration fees do not apply to: trailers owned by farmers and used for agricultural purposes or hauling livestock between farm and market, trailers used for the transportation of boats or drawn by an automobile or truck, trailers used in the furtherance of a business, or truck trailers registered under the law for freight motor vehicles.
- Freight trailers, semi-trailers, and pole trailers used primarily for hauling freights and trailers used in the furtherance of a business are registered pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A), for a registration tax of \$75.00, in addition to the taxes prescribed for trucks and truck tractors. Such registrations are valid for the duration of the owner's interest in the vehicle.
- According to the Department of Revenue, based on motor vehicle registration data as of January 2016, there are approximately 66,430 trailers registered in Tennessee pursuant to Tenn. Code Ann. § 55-4-111(a)(1), for which the average registration fee is \$9.50. It is assumed that these trailers have an average of two axles.
- The recurring increase in state revenue is estimated to be \$1,693,965 [66,430 x (\$35.00 new fee - \$9.50 old fee)].
- Based on information provided by the Department, it is assumed that there are approximately 600,000 trailers registered pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A), and that approximately 3 percent of them, or 18,000, are sold or transferred to another owner annually.
- Assuming that the average tax paid by such trailers is \$100.00, in addition to the \$75.00 registration tax, and that these trailers have an average of three axles, the recurring decrease in state revenue is estimated to be \$2,340,000 [(18,000 x \$175 old fee) – (18,000 x \$45.00 new fee)].
- There are approximately 100,000 accounts registered for the agricultural sales and use tax certificate exemption. It is therefore estimated that the number of farming trailers that are currently exempt from registration requirements, but will be required to register pursuant to this bill, is 100,000. It is assumed that these trailers have an average of two axles.
- The recurring increase in state revenue is estimated to be \$3,500,000 (100,000 x \$35.00).

- There are approximately 200,000 boat trailers in the state that are currently exempt from registration requirements, but will be required to register pursuant to this bill. It is assumed that 70 percent of these trailers, or 140,000, have one axle, and 30 percent, or 60,000, have two axles.
- The recurring increase in state revenue is estimated to be \$5,600,000 [(140,000 x \$25.00) + (60,000 x \$35.00)].
- There are approximately 20,000 other trailers in the state that are currently exempt from registration requirements, but will be required to register pursuant to this bill. It is assumed that these trailers have an average of one axle.
- The recurring increase in state revenue is estimated to be \$500,000 (20,000 x \$25.00).
- The total number of new trailers that will be required to register pursuant to this bill is estimated to be 320,000 (100,000 + 200,000 + 20,000).
- These new trailers will also be required to pay an additional fee of \$2.75, for a total recurring increase in state revenue of \$880,000 (320,000 x \$2.75).
- The net recurring increase in state revenue is estimated to be \$9,833,965 (\$1,693,965 - \$2,340,000 + \$3,500,000 + \$5,600,000 + \$500,000 + \$880,000).
- Of this amount, \$8,306,892 is estimated to be an increase to the Highway Fund, \$729,528 is estimated to be an increase to the General Fund, including amounts distributed to the Department of Revenue, \$477,545 is estimated to be an increase to the Police Pay Supplement Fund, and \$320,000 is estimated to be an increase to the TRUST Fund for operation, maintenance, modernization, improvement, enhancement, or replacement of the titling and registration system.
- Due to the effective date of this bill of January 1, 2017, the first-year impacted (FY16-17) is estimated to be 50 percent of the full-year impact, or \$4,916,983.
- Of this amount, \$4,153,446 is estimated to be an increase to the Highway Fund, \$364,764 is estimated to be an increase to the General Fund, including amounts distributed to the Department of Revenue, \$238,773 is estimated to be an increase to the Police Pay Supplement Fund, and \$160,000 is estimated to be an increase to the TRUST Fund for operation, maintenance, modernization, improvement, enhancement, or replacement of the titling and registration system.
- There will be approximately 320,000 new trailer registrations a result of this bill (100,000 + 200,000 + 20,000). Assuming an average cost per plate of \$3.30, the one-time increase in state expenditures to the General Fund for production of plates necessary to meet the demand is estimated to be \$960,000 (320,000 x \$3.00).
- Pursuant to Tenn. Code Ann. § 55-6-104(a)(1), county clerks are authorized to charge \$2.50 for issuing certificates of registration and registration plates, for transferring registration plates from one motor vehicle to another and issuing a certificate therefor, and for accepting for surrender certificate of registration and registration plates.
- The proposed legislation authorizes county clerks to impose an additional \$1.00 fee on the initial issuance of each set of certificates of registration and registration plates for trailers.
- Assuming that 50 percent of new registrations, or 160,000 (320,000 x 50%), will take place in FY16-17, and 50 percent will occur in FY17-18, the increase in local revenue from the additional \$1.00 fee is estimated to be \$160,000 in FY16-17, and \$160,000 in FY17-18.

- Such fee shall also be imposed on the 18,000 trailers registered pursuant to Tenn. Code Ann. § 55-4-113(a)(5)(A) that are sold or transferred to a new owner each year. Fifty percent of such sales, or 9,000, is assumed to occur in FY16-17. The resulting increase in local revenue is estimated to be \$9,000 in FY16-17, and \$18,000 in FY17-18 and subsequent years.
- The \$2.50 fee is assumed to be imposed upon all new registrations, resulting in an increase in local revenue of \$400,000 in FY16-17 (160,000 x \$2.50) and \$400,000 in FY17-18 (160,000 x \$2.50).
- The total increase in local revenue is estimated to be \$569,000 in FY16-17 (\$160,000 + \$9,000 + \$400,000), \$578,000 in FY17-18 (\$160,000 + \$18,000 + \$400,000), and \$18,000 in FY18-19 and subsequent years.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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