

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2112 – SB 2207

March 11, 2016

**SUMMARY OF ORIGINAL BILL:** Expands the list of specialty license plates created for honorably discharged veterans to include Global War on Terrorism, Global War on Terrorism Era Veteran, Afghanistan War, and Afghanistan War Era Veteran. Revises the fee schedule for all honorably discharged veteran license plates by authorizing the issuance of one registration plate free of charge to any qualified applicant provided that one additional plate may be obtained by any eligible person upon payment of the regular registration fees under Tenn. Code Ann. § 55-4-111 plus payment of one-half of the fee provided for in Tenn. Code Ann. § 55-4-203(c)(1).

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures - \$1,015,000/FY16-17/Department of Revenue

Decrease State Revenue –

\$5,524,300/Highway Fund/FY16-17

\$112,700/General Fund/FY16-17

\$5,526,800/Highway Fund/FY17-18 and Subsequent Years

\$112,800/General Fund/FY17-18 and Subsequent Years

**SUMMARY OF AMENDMENT (013646):** Substitutes the name of the plate for honorably discharged veterans of Operation Freedom’s Sentinel and Operation Freedom’s Sentinel Era Veteran to a plate for honorably discharged veterans of Afghanistan War and Afghanistan War Era Veteran in subdivision 13 of Section 1 in the original bill.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Unchanged from the original fiscal note.**

*General assumptions relative to registration costs and plate recipients:*

- The cost of registration for cars and trucks is \$25.75 and \$18.85 for motorcycles. The cost of renewal plates for cars and trucks is \$21.50 and \$14.50 for motorcycles.

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Revenue from registration and renewals is allocated 98 percent to the Highway Fund and 2 percent to the General Fund.

- There are currently 34 existing license plates available to Tennessee veterans. The proposed legislation adds four more optional plates for eligible Tennessee veterans.
- Based on information from the Department of Revenue (DOR), there are 30,785 current registrations for existing veterans' license plates. These registrations result in annual revenue of approximately \$781,009 from honorably discharged veterans who purchase or renew a veteran's license plate.
- It is assumed that 25 percent of the existing plates, or 7,696, would be second or subsequent plates and would not be free under the proposed legislation. The remaining 75 percent or 23,089 annual renewals will be free under the proposed legislation resulting in a decrease in state revenue of \$585,757 beginning in FY16-17.
- There are more than 506,000 Tennessee veterans and an estimated 94 percent (477,664) are honorably discharged.
- An estimated 238,832, or one-half of these eligible veterans, will be incentivized to apply for a free license plate either for a vehicle or motorcycle under the provisions of this bill in lieu of registering such vehicles or motorcycles with a regular license plate under current law and paying the current applicable fees.
- Currently 95 percent of plates issued to veterans are for cars or trucks and the remaining 5 percent is issued for motorcycles. It is assumed these percentages will remain constant.

*Assumptions relative to FY16-17:*

- DOR will manufacture 238,832 new specialty veteran car, truck, or motorcycle plates resulting in a one-time increase in state expenditures of \$1,015,036 ( $\$4.25 \times 238,832$  plates) in FY16-17.
- An estimated 226,890 ( $238,832 \times 95.0\%$ ) new applicants, who are currently renewing a regular plate, will receive a free veteran specialty car or truck plate resulting in a decrease in state revenue of \$4,878,135 ( $\$21.50 \times 226,890$  applicants) in FY16-17.
- Another 11,942 ( $238,832 \times 5.0\%$ ) applicants will receive a free motorcycle plate resulting in a decrease in state revenue of \$173,159 ( $11,942 \times \$14.50$ ) in FY16-17.
- The total decrease in state revenue, including new plates and current renewals that will be free under the proposed legislation, is estimated to be \$5,637,051 ( $\$585,757 + \$4,878,135 + \$173,159$ ) in FY16-17; therefore, the decrease in state revenue to the Highway Fund is estimated to be \$5,524,310 ( $\$5,637,051 \times 98.0\%$ ) in FY16-17; and the decrease in state revenue to the General Fund is estimated to be \$112,741 ( $\$5,637,051 \times 2.0\%$ ) in FY16-17.

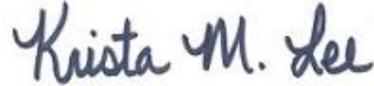
*Assumptions relative to FY17-18 and Subsequent Years:*

- In FY17-18 and subsequent years, there will be at least 100 eligible Tennessee veterans who will receive a new plate which will result in a recurring decrease in state revenue of \$2,540 [ $(95 \times \$25.75$  for cars and trucks) +  $(5 \times \$18.85$  for motorcycles)].

- In FY17-18 and subsequent years, the total recurring decrease in state revenue for renewals and new plates is estimated to be \$5,639,591 (\$585,757 + \$4,878,135 + \$173,159 + \$2,540); therefore, the recurring decrease to the Highway Fund is estimated to be \$5,526,799 (\$5,639,591 x 98.0%); and the recurring decrease to the General Fund is estimated to be \$112,792 (\$5,639,591 x 2.0%).

**CERTIFICATION:**

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



Krista M. Lee, Executive Director

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