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S.B. 15
135th General Assembly

Fiscal Note & Local Impact Statement

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Version: As Introduced

Primary Sponsor: Sen. Hoagland

Local Impact Statement Procedure Required: Yes

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Highlights

- Beginning in the second year of the bill's permanent motor vehicle registration program, the Bureau of Motor Vehicles (BMV) may lose up to several hundreds of thousands of dollars in BMV fees collected as part of motor vehicle registration fees annually and used to pay expenses incurred to administer and enforce motor vehicle and traffic laws.
- Beginning in the second year of the bill's permanent motor vehicle registration program, local governments statewide likewise may lose up to nearly \$1 million annually in base and permissive motor vehicle license tax revenue, which is statutorily required to be used for specified purposes which generally include the construction, improvement, maintenance, and repair of roads, highways, bridges, and viaducts.
- The actual revenue loss experienced by the BMV or any given local government will ultimately depend on the number of retired military veterans who elect to obtain permanent registration, the number of vehicles registered by each of those retired military veterans, the district of registration within which each retired military veteran resides, and the amount of any permissive taxes levied by that registration district.

Detailed Analysis

The bill authorizes a retired military veteran to apply for a permanent motor vehicle registration through the existing Military License Plate Program. Under the bill, a retired military veteran applying for permanent registration is responsible for the standard registration taxes and fees for one year of registration at the time of application. The bill specifies that the veteran is not required to pay registration taxes and fees for that vehicle in subsequent years while the veteran owns it (and is nontransferable with the vehicle if the title is transferred). Under current law, military veterans are eligible to receive a special license plate recognizing military service

and honors pertaining to valor and service at no cost but are generally still required to pay taxes and fees when applying for or renewing vehicle registration.¹ As a result, the bill's creation of a permanent vehicle registration for military veterans may significantly impact the amount of motor vehicle registration and renewal revenue that is generated annually for the state and local governments beginning in the second year of an eligible motor vehicle's permanent registration.

Motor vehicle registration taxes and fees

The standard registration taxes and fees for a passenger car range from \$36 to \$66, depending on district of registration. License tax revenue is statutorily required to be used for specified purposes which generally include the construction, improvement, maintenance, and repair of roads, highways, bridges, and viaducts. The breakdown and distribution of these taxes and fees is as follows:

- \$20 base motor vehicle license tax: distributed based on a statutory formula to counties, municipalities, and townships;
- \$11 Bureau of Motor Vehicles (BMV) fee: credited to the state Public Safety – Highway Purposes Fund (Fund 5TMO) used by the Department of Public Safety to pay expenses incurred to administer and enforce motor vehicle and traffic laws;
- \$5 service fee: retained by the deputy registrar that completed the transaction or, in the case of mail-in or online transactions, credited to Fund 5TMO; and
- \$0 to \$30 permissive local motor vehicle license tax: levied and retained by units of local government that elect to do so in \$5 increments, not to exceed \$30 per vehicle.

Impact to revenue

The BMV reported that there were a total of 19,995 vehicles registered in Ohio with retired military license plates in 2021. However, according to the U.S. Department of Defense (USDOD), there were 48,311 retired military veterans living in Ohio in 2020.² The estimates in this analysis will be based on the assumption that all 19,995 vehicles registered with this existing category of license plates will opt to continue to do so, and hence receive the permanent registration during their next renewal period.

However, it should be noted that it is possible that by creating a permanent registration option through the existing Military License Plate Program, certain retired military veterans who had previously elected not to obtain a retired military veteran license plate may choose to do so in order to obtain the bill's permanent registration. As noted, according to USDOD, the upward limit of possible applicants for the permanent registration would be 48,311 (adjusted for current population trends moving forward). The bill also permits retired military veterans to permanently

¹ Exceptions include disabled veterans with a service-connected disability rated at 100% by the federal Veterans' Administration (for up to two vehicles), Congressional Medal of Honor recipients, a former prisoner of war, a Purple Heart recipient, or a Gold Star family member.

² As seen on page 23 of the [Statistical Report on the Military Retirement System Fiscal Year Ended September 30, 2020](#), which can be found on the Office of the Actuary for the U.S. Department of Defense's website at: actuary.defense.gov/.

register more than one vehicle. Both of these scenarios have the potential to increase the amount of revenue loss experienced by both the BMV and local governments beyond what is indicated in the narrative below.

Ultimately, the actual revenue loss experienced by the BMV or any given local government will depend on the number of retired military veterans who choose to permanently register a motor vehicle under the bill, the number of motor vehicles registered by each retired military veteran and how long those vehicles are retained, the district of registration in which they reside, and the amount of any permissive taxes levied.

Bureau of Motor Vehicles

Beginning in the second year of the permanent registration program, the BMV could experience a revenue loss of \$219,945 (19,995 x \$11) as a result of no longer collecting the \$11 fee that would have otherwise been collected for the registration or renewal of these motor vehicles. This amount does not include the \$5 deputy registrar fee that the BMV also collects for mail-in and online transactions. If all 19,995 registrations in 2021 were either online or mail-in transactions, the additional annual revenue loss for the BMV could total up to \$99,975 (19,995 x \$5). The Department of Public Safety, which houses the BMV, uses the money generated from these fees to pay expenses incurred to administer and enforce motor vehicle and traffic laws.

Local governments

Beginning in the second year of the permanent registration program, the amount of tax and fee revenue loss for the state and local governments could total as much as \$399,900 (19,995 x \$20) annually if all of the 2021 retired military license plate holders elected to obtain the bill's permanent registration. That amount does not take into account any permissive taxes that may apply depending on the vehicle owner's registration district. If each of those retired military veterans were to reside in a registration district that levies the \$30 maximum permissive tax, then the amount of revenue loss for local governments statewide could increase by an additional \$599,850 (19,995 x \$30) annually. Local governments are statutorily required to use license tax revenue for specified purposes which generally include the construction, improvement, maintenance, and repair of roads, highways, bridges, and viaducts.

County clerks of court and auditors serving as deputy registrars

The 11 deputy registrar locations statewide that are served by a county auditor or a clerk of a court of common pleas would lose \$5 for each motor vehicle registration or renewal processed for a retired military veteran. The magnitude of such a loss would vary by deputy registrar location based on the number of such transactions processed.