

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4654H.011
 Bill No.: HB 2189
 Subject: Transportation; Department of Revenue; Motor Vehicles; Licenses - Motor Vehicle
 Type: Original
 Date: January 14, 2026

Bill Summary: This proposal establishes a five-year motor vehicle registration option for motor vehicles with a model year of manufacture that is less than six years old.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
General Revenue	(\$260,232)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$260,232)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Highway Fund (1644)*	\$13,888,826	\$13,888,826	Could exceed (\$3,472,207)
Highway Patrol Inspection Fund (1297)*	\$0	\$0	(Unknown, less than \$250,000)
Missouri Air Emission Reduction Fund (1267)	(\$91,473)	(\$223,563)	(\$182,945)
Total Estimated Net Effect on <u>Other</u> State Funds	\$13,797,353	\$13,665,263	Could exceed (\$3,655,152)

*Increase in revenue in first two fiscal years is due to having a five-year registration option for vehicles that are less than five years old (potentially collecting registration fees for years 3 through 5 in year 1). The increase in revenue will balance out after the first two years of implementation.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on FTE	0	0	0

- Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Local Government*	\$4,629,609	\$4,629,609	(\$1,157,402)

*Increase in revenue in first two fiscal years is due to having a five-year registration option for vehicles that are less than five years old (potentially collecting registration fees for years 3 through 5 in year 1). The increase in revenue will balance out after the first two years of implementation.

FISCAL ANALYSIS

ASSUMPTION

§§301.130 & 301.147 – Five-Year Motor Vehicle Registration Option

Officials from the **Department of Revenue (DOR)** assume the following regarding this proposal:

Administrative Impact

To implement the proposed legislation the department will be required to:

- Update procedures, forms, and correspondence
- Update systems
- Update associated fee charts, and the Department website
- Update the Dealer Operating Manual
- Update the Missouri Titling Manual
- Send communications to contracted license offices and other contracted stakeholders
- Complete programming and user acceptance testing
- Update the Missouri Transportation Accounting System (MTAS) tables
- Train internal and contract license office staff
- Provide virtual training to License Office staff.
- License Office outreach in License Office News articles

The subsequent registration of said vehicle will require proof of five years of paid personal property taxes.

FY 2027 – Motor Vehicle Bureau

Lead Administrative Support Asst. 75 hrs. @ \$26.44/hr. =\$1,983
Associate Research/Data Analyst 300 hrs. @ \$31.16/hr. =\$9,348
Research/Data Analyst 100 hrs. @ \$37.14/hr. =\$3,714
Administrative Manager 60 hrs. @ \$51.40/hr. =\$3,084

FY 2027 – Systems Analysis & Support

Associate Research/Data Analyst 771 hrs. @ \$31.16/hr. =\$24,024
Research/Data Analyst 193 hrs. @ \$37.14/hr. =\$7,168
Administrative Manager 97 hrs. @ \$51.40/hr. =\$4,986

FY 2027 – Strategy & Communications Office

Associate Research/Data Analyst 400 hrs. @ \$31.16/hr. =\$12,464

FY 2027 - License Office Bureau

Staff Development Trainer 40 hrs. @ \$31.36/hr. = \$1,254

Administrative Manager 20 hrs. @ \$51.40/hr. = \$1,028

Total = \$69,053

Oversight assumes DOR will use existing staff and will not hire additional FTE to conduct these activities; therefore, Oversight will not reflect the administrative costs DOR has indicated on the fiscal note.

DOR notes OA-ITSD services will be required at a cost of **\$215,732** in FY 2027 (2,054.59 hours x \$105 per hour).

FUSION Impact

DOR notes:

Development: 100/hrs. @ \$225/hr. = \$22,250

Testing: 100/hrs. @ \$225/hr. = \$22,250

TOTAL = **\$44,500**

Oversight does not have any information to the contrary in regards to DOR's assumptions; therefore, Oversight will reflect DOR's FUSION and OA-ITSD costs on the fiscal note.

Revenue Impact

DOR notes, anyone seeking a five-year registration under the proposed language will be required to pay registration fees at five times the normal rate. The Motor Vehicle Bureau estimates that 25% of applicants may wish to register their motor vehicle at the five-year duration. The Motor Vehicle Bureau may see a temporary increase in funds that will average out as these same vehicles will not require registration renewal for five years.

However, it is important to note that registration fees are not refundable or transferable should the vehicle change owners. Due to this, the proposed language will likely result in a net positive of funds to the Motor Vehicle Bureau. It will be impossible to quantify this figure as it relies on too many variables, with the keystone of public interest and expected participation in the program being an unknown.

FY 2023 - 321,400 vehicles 5 model years and under that were registered.

FY 2024 - 325,203 vehicles 5 model years and under that were registered.

FY 2025 - 365,331 vehicles 5 model years and under that were registered.

Average: 337,311

FY 2023 - \$39,635,924.50 total amount of fees paid on vehicles 5 model years and under.

FY 2024 - \$35,862,193.50 total amount of fees paid on vehicles 5 model years and under.

FY 2025 - \$35,612,490.00 total amount of fees paid on vehicles 5 model years and under.

Average: \$37,036,869

FY 2027 estimated impact:

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

50% of total for 6 effective months: $\$9,259,217.25 * 0.5 = \$4,629,608.63$

Total x 5 for increased fees: $\$4,629,608.63 * 5 = \$23,148,043.15$

Difference: $\$23,148,043.15 - \$4,629,608.63 = \$18,518,434.52$

\$18,518,435 increase in registration funds

FY 2028 estimated impact:

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

50% of total who began 5 years in FY27: $\$9,259,217.25 * 0.5 = \$4,629,608.63$

Total x 5 for increased fees: $\$4,629,958.63 * 5 = \$23,148,043.15$

Difference: $\$23,148,043.15 - \$4,629,608.63 = \$18,518,434.52$

\$18,518,435 increase in registration funds

FY 2029 estimated impact:

First 6 months of FY29

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

\$9,259,217 increase in revenue

Last 6 months of FY29

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

50% to account for 6 months: $\$9,259,217.25 * 0.5 = \$4,629,608.63$

\$4,629,609 decrease in revenue

FY 2030 estimated impact:

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

\$9,259,217 decrease in revenue

FY 2031 estimated impact:

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

\$9,259,217 decrease in revenue

FY 2032 estimated impact:

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

\$9,259,217 decrease in revenue

FY 2033 estimated impact:

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

\$9,259,217 decrease in revenue

FY 2034 estimated impact:

First 6 months of FY34

25% of estimated funds collected: $\$37,036,869 * 0.25 = \$9,259,217.25$

50% to account for 6 months: $\$9,259,217.25 * 0.5 = \$4,629,608.63$

\$4,629,609 decrease in revenue

It is projected that by January 2035, the financial impact will be revenue neutral, resulting in no significant net gain or loss to the state, as revenues and expenditures are expected to balance over a seven-and-a-half-year period.

Following the allowed five-year registration period, up to five years of personal property tax will need to be verified prior to the next registration or renewal. This change will impact county collectors, who will be required to maintain records for more than the current two-year period and provide the Department of Revenue's system with up to five years of proof of paid personal property tax. This may also result in loss of funds to city and counties.

Since no changes were made to Section 136.055 there will be a significant loss of processing fees for contract offices.

Oversight assumes there will be an increase in revenue in the first two years after implementation of this proposal if vehicle owners (of vehicles less than five years old) choose the five-year registration option. Oversight will reflect an increase in revenue for fiscal years 2027 and 2028. Oversight assumes the revenue will then even out in FY 2029 as registrations will decrease due to vehicles utilizing the five-year registration option in 2027 and 2028. Oversight is unsure if the revenue from new five-year registrations collected in FY 2029 will be greater than or less than the normal (1 or 2 year) registration fee that would normally be collected in FY 2029 but were already paid in FY 2027 or FY 2028. Oversight notes the revenue increase/decrease impacts the Highway Fund (75%), Cities (15%) and Counties (10%).

Officials from the **Missouri Highway Patrol (MHP)** assume the following regarding this proposal:

The Patrol assumes that approximately 25% of those eligible for the 5-year registration option proposed in the bill would choose this option. As such, the Patrol determines the potential decrease in motor vehicle safety inspections performed statewide, as a result of the provisions of the bill, is estimated to be 6,250 inspections.

The state of Missouri receives \$1.50 from each safety inspection performed. Of that amount, \$1.00 is deposited into the Highway Fund (0644) and \$0.50 to the Highway Patrol Inspection Fund (0297). The potential reduction of an estimated 6,250 safety inspections could result in a negative fiscal impact to the Highway Fund of \$6,250 and \$3,125 to the Highway Patrol Inspection Fund per year.

Oversight is unable to determine how many vehicles will no longer require safety inspections as a result of this proposal; however, Oversight assumes the number will be minimal as current statute does not require a safety inspection if the vehicle is less than ten years old and has less than 150,000 miles. Oversight will reflect an “Unknown, but less than \$250,000” fiscal impact to the Highway Fund and the Highway Patrol Inspection Fund starting in FY 2029.

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

The bill text at §301.130.7. would allow vehicle owners a new option to register their vehicles for 3-years if the vehicle is less than six model years old. The bill text at §301.147.1. would remove the requirement for even-model year vehicles to renew vehicle registrations in even calendar years and for odd-model year vehicles to renew vehicle registrations in odd calendar years.

Note: The bill is not proposing to change the emission inspection requirement found in RSMo §643.315 for St. Louis area motorists. The emissions inspection is required biennially (odd model year vehicles are required to get tested in odd calendar years and even model year vehicles are required to get tested in even calendar years). Although this requirement in §643.315 is not proposed for change in this bill, since the enforcement mechanism for the emission inspection is registration denial, DNR assumed in this fiscal note that no motorists in the St. Louis area would get the emissions inspection on their vehicle unless proof of the inspection was required to register or renew their vehicle registration.

The Gateway Vehicle Inspection Program (GVIP), which is codified at RSMO Sections 643.300-643.355 and state rule 10 CSR 10-5.381, is the state’s program for administering the Clean Air Act mandated emission inspections for vehicles registered in the St. Louis area. Unless exempted, emission tests are required for motor vehicle registration renewals every two years and also between most ownership transfers. The fee for the emissions test is \$24. The station owner pays the state \$2.50 for every passing inspection they issue. The proposed bill would change the program in two ways. First, it will allow vehicle owners the new option to register their vehicles for 5-years if the vehicle they are registering has a model year less than six years old. Second, for biennial renewals it eliminates the requirement for even-numbered model-year vehicles to renew in even-numbered calendar years and for odd-numbered model-year vehicles to renew in odd-number calendar years. The impact to state revenue for both of these changes are detailed separately below.

5-year registration option

Since the enforcement mechanism for the emission inspection program is registration denial, this new option for a 5-year registration for newer vehicles would allow vehicles to remain registered without the required biennial emission inspection required under GVIP.

It is likely that many, but unknown how many, vehicle owners that are subject to the emission inspection requirement will opt for an extended registration period allowing the vehicles to remain registered without passing the required biennial emission inspection. This will lower the amount of emission inspections conducted, and the corresponding fees the department collects for the inspections.

This 5-year registration option would reduce the Missouri Air Emission Reduction Fee Fund by approximately \$180,000 annually on average. This revenue is generated by the fees collected for vehicle emissions inspection (\$2.50 per test) in the area covered by the Gateway Vehicle Inspection Program (GVIP). The associated loss of interest earned was not included.

Assumptions and calculations for the 5-year registration option:

CY23 Passing Inspections for Vehicles of 2018 Model Year or Newer: 250,614

CY24 Passing Inspections for Vehicles of 2019 Model Year or Newer: 237,241

CY 23/24 Average Annual Initial Inspections for Vehicles Less than 6 Model Years Old:

$(250,614 + 237,241)/2 = 243,928$

Assumption: 30 percent of initial inspections for vehicles less than 6 model years old would not occur due to the 5-year registration option:

Reduced annual initial inspections: $243,928 * 0.30 = 73,178$ reduced inspections

Lost annual revenue:

$73,178 * \$2.50 = \mathbf{\$182,945}$

Removal of odd and even model-year/calendar year renewal stipulation:

The bill would remove the requirement for even-numbered model-year vehicles to get an emission inspection in even years, and vice versa for odd model-year vehicles. As such, any vehicle registration transfers (used vehicle sales) that occur in a calendar year that does not match the odd/even characteristic of the model year of the vehicle, would get two years between the initial inspection and the first renewal inspection instead of only one year. Therefore, there would be fewer vehicles tested in the second year after this bill passes. However, the inspections would catch back up to normal in the third and subsequent years after the bill passes.

Based on a query of registration data and emission testing data in SFY23 and SFY24, there were a total of 64,987 vehicle registration transfers (used vehicle sales) that were required to take an emission test because of the vehicle registration transfer. Therefore, the annual average during the last two years was 32,494 vehicles. Taking this annual average and assuming that half of the vehicle registration transfers are even-numbered model year vehicles and half are odd-numbered model year vehicles, then DNR would expect to see a reduction in initial inspections during the second year after the bill passes (SFY28) of 16,247 inspections. Stations charge \$24 for each initial emissions test and station owners pay the State \$2.50 for each passing emissions test. Therefore, the department estimates a reduction in state revenue from inspection fees of **\$40,618** that would occur in SFY28, but no reduction in inspection fee revenue any other year (SFY27 or SFY29 and beyond) as a result of the removal of the odd/even model-year renewal stipulation.

Summary of Impacts for Air Emissions Reduction Fund (Fund 1267):

Unknown impact to the number of FTE and classifications impacted

Estimated Revenue Loss by Fiscal Year:

FY 27: \$182,945

FY 28: \$223,563

FY 29: \$182,945

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by DNR.

Oversight notes there was a balance of \$1,920,987 in the Missouri Air Emission Reduction Fund (1267) as of December 31, 2025.

In response to a previous version, officials from the **Missouri Department of Transportation** deferred to DOR for the potential fiscal impact of this proposal.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (6 Mo.)	FY 2028	FY 2029
GENERAL REVENUE			
<u>Cost – DOR (§§301.130 & 301.147)</u> OA-ITSD services p.4	(\$215,732)	\$0	\$0
<u>Cost – DOR (§§301.130 & 301.147)</u> FUSION p.4	(\$44,500)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	(\$260,232)	\$0	\$0
HIGHWAY FUND (1644)*			
<u>Revenue – MHP (§§301.130 & 301.147)</u> Increase and then potentially decrease in registration fees due to a five-year registration option p.6-7	\$13,888,826	\$13,888,826	(\$3,472,207)
<u>Revenue – MHP (§§301.147 & 301.147)</u> Decrease in the number of inspections p.6-7	\$0	\$0	(Unknown, Less than \$250,000)
ESTIMATED NET EFFECT ON THE HIGHWAY FUND (1644)	\$13,888,826	\$13,888,826	Could exceed (\$3,472,207)

<u>FISCAL IMPACT – State Government</u>	FY 2027 (6 Mo.)	FY 2028	FY 2029
HIGHWAY PATROL INSPECTION FUND (1297)*			
<u>Revenue</u> – MHP (§§301.130 & 301.147) Decrease in the number of inspections p.6-7	<u>\$0</u>	<u>\$0</u>	(Unknown, Less than <u>\$250,000</u>)
ESTIMATED NET EFFECT ON THE HIGHWAY PATROL INSPECTION FUND (1297)	<u>\$0</u>	<u>\$0</u>	(Unknown, Less than <u>\$250,000</u>)
MISSOURI AIR EMISSION REDUCTION FUND (1267)			
<u>Revenue Loss</u> – DNR (§301.130) Decrease in the number of inspections p.8-9	(\$91,473)	(\$182,945)	(\$182,945)
<u>Revenue Loss</u> – DNR (§301.147) Removal of even/odd registration requirement p.8-9	<u>\$0</u>	<u>(\$40,618)</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE MISSOURI AIR EMISSION REDUCTIONS FUND (1267)	<u>(\$91,473)</u>	<u>(\$223,563)</u>	<u>(\$182,945)</u>

*It is unknown how many vehicle owners will request to do the five-year vehicle registration option.

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (6 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS*			
<u>Revenue</u> (Cities 15%) (§§301.130 & 301.147) Increase and then potential decrease in registration fees due to a five-year registration option p.6-7	\$2,777,765	\$2,777,765	(\$694,441)
<u>Revenue</u> (Counties 10%) (§§301.130 & 301.147) Increase and then potential decrease in registration fees due to a five-year registration option p.6-7	\$1,851,844	\$1,851,844	(\$462,961)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$4,629,609</u>	<u>\$4,629,609</u>	<u>(\$1,157,402)</u>

*It is unknown how many vehicle owners will request to do the five-year vehicle registration option.

FISCAL IMPACT – Small Business

Small businesses that provide safety and emissions inspections could be impacted as a result of this proposal. In addition, license contract offices’ processing fees in §136.055 could be impacted.

FISCAL DESCRIPTION

Beginning January 1, 2027, the Director of the Department of Revenue will be authorized to issue to owners of motor vehicles with a model year of manufacture less than six years, other than as provided in the bill, the option of a five-year registration period if the fee collected is equal to the annual registration fee plus a pro rata amount for the additional four years of the five-year registration, and presentation of all documentation otherwise required by law for vehicle registration.

The bill repeals the provision of law which requires that vehicles manufactured as an even-numbered model year must be renewed each even-numbered calendar year and that vehicles manufactured as an odd-numbered model year must be renewed each odd-numbered calendar year.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Department of Revenue
Missouri Highway Patrol
Missouri Department of Transportation
Department of Natural Resources



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