

Historical Tax Law Changes Vehicle License Tax

The Vehicle License Tax (previously referred to as the Auto Lieu Tax) was imposed by an amendment to Article 9, Section 11 of the Arizona Constitution. The amendment provided that vehicles were taxed on 60% of the manufacturer's list price during the first calendar year of the vehicle's life and that this value is reduced by 25% during each succeeding calendar year. The tax rate was the average of the combined state and local tax rates for all tax districts during the preceding year. This rate was not to exceed \$4.00 per \$100 of value. The Vehicle License Tax was collected annually at the time of vehicle registration. The Legislature provided for distribution of the tax proceeds. The amendment was enacted at the General Election of November 5, 1940. (Effective January 1, 1941)

Laws 1941, Chapter 77 provided that Vehicle License Taxes were collected by the County Assessor and distributed in the following manner (Effective March 24, 1941):

- (1) In counties containing no incorporated cities or towns - 25% to the state General Fund, 37.5% to the county General Fund, 37.5% to the County Board of Supervisors for distribution among the school districts.
- (2) In counties containing one or more incorporated cities or towns - 25% to the state General Fund, 25% to the county General Fund, 25% to the incorporated cities and towns and 25% to the County Board of Supervisors for distribution among the school districts.
- (3) Vehicle License Taxes collected from motor carriers operated in interstate commerce were distributed 25% to the state General Fund, 25% to the several county General Funds, 25% to the several common and high school districts and 25% to the several incorporated cities and towns. All money collected from interstate motor carriers was to be expended on highway maintenance and construction.

Laws 1954, Chapter 150 provided that Vehicle License Taxes formerly deposited with the County Board of Supervisors were instead deposited in the County School Funds. (Effective July 9, 1954)

NOTE: An amendment to Article 9, Section 11 of the Arizona Constitution exempted mobile homes from the Vehicle License Tax. The amendment provided for taxation of mobile homes under provisions of the Ad Valorem General Property Tax. The amendment was enacted at the General Election of November 5, 1968. The provisions of this law did not apply to mobile units under 40 feet long and 8 feet wide. (Effective January 1, 1969)

Laws 1969, Chapter 147 amended the distribution formula in counties containing one or more incorporated cities and towns to provide funds for urban mass transportation. When the largest municipality in a county established a qualified urban mass transportation system, Motor Vehicle License Taxes were distributed 25% to the state General Fund, no less than 23.5% to the county General Fund, no less than 23.5% to the County School Funds, no less than 23.5% to the incorporated cities and towns, no more than 4.5% to the qualifying municipality. This distribution was effective only through September 15, 1970. (Effective July 11, 1969)

Laws 1972, Chapter 170 provided for registration of vehicles on a staggered monthly basis. In order to facilitate staggered registration, vehicles could be registered for periods of up to 18 months with tax payments prorated accordingly. Enactment of this law was conditional on the passage of a constitutional amendment which was approved by the voters on November 7, 1972. (Effective January 1, 1974)

NOTE: An amendment to Article 9, Section 11 of the Arizona Constitution authorized the Legislature to provide for different times or periods of registration between and within the several classes of vehicles. The amendment also removed the constitutional provisions that established the tax base and tax rate and provided that the Vehicle License Tax be levied as provided by law. This amendment was enacted at the General Election of November 7, 1972. (Effective January 1, 1974)

Laws 1973, Chapter 148 established, in law, the method of determining the Vehicle License Tax. This was necessary since the specific provisions for determining the tax were removed from the Constitution in the General Election of November 7, 1972. Under this law, the Vehicle License Tax was determined in the same manner as it was before the election, until December 31, 1974. However, beginning January 1, 1975, license tax payments were

determined from a schedule, based on the base retail price and age of the vehicle. The law also repealed the separate distribution formula for counties that have no incorporated cities and towns. The separate distribution formula for counties with urban mass transportation systems was reactivated from January 1, 1975 through September 15, 1976. (Effective January 1, 1974)

Laws 1974, 1st Special Session, Chapter 3 provided that the share of Vehicle License Tax collections formerly deposited in the county school funds was deposited instead in a state school fund. (Effective May 20, 1974)

Laws 1975, Chapter 98 provided that proven veterans acquiring automobiles with financial aid received from the Veterans' Administration shall be exempt from payment of license taxes. (Effective September 12, 1975)

Laws 1975, Chapter 135 repealed the license tax rate schedule which became effective January 1, 1975 and provided for calculation of license tax liability in the manner in which it was determined prior to January 1, 1975. (Effective June 11, 1975)

Laws 1976, Chapter 1 limited the veterans' exemption from Vehicle License Taxes to one new or replacement vehicle per 12-month period. (Effective March 11, 1976)

Laws 1976, Chapter 66 eliminated the State School Fund. The portion of license tax collections that was formerly deposited in the fund was deposited in the state General Fund and used for school financial assistance. (Effective May 27, 1976)

Laws 1977, Chapter 101 provided that counties receive an additional 5% of license tax collections from the state's share of collections unless they elected to transfer vehicle registration and titling duties to the Department of Transportation. (Effective May 26, 1977)

Laws 1978, Chapter 9 extended the license tax exemption for 100% disabled veterans. (Effective September 3, 1978)

Laws 1979, Chapter 51 provided for a Vehicle License Tax rate of \$4.00 per \$100 of value. Formerly the tax rate was set equal to the average of the summed tax rates for all taxing districts within the state during the preceding year, with a maximum rate of \$4.00 per \$100.00 of value. The bill also changed the method of valuing vehicles for tax purposes. Formerly, vehicles were taxed on 60% of the manufacturer's base retail price during the calendar year in which the vehicle was originally registered and this value was reduced by 25% each succeeding calendar year. Under provisions of this bill, vehicles are valued at 60% of the manufacturer's base retail price for the first 12 months of the vehicles life and the value is reduced by 25% each succeeding 12 month period. (Effective October 1, 1979)

Laws 1979, Chapter 213 provided that 5% of a county's Vehicle License Tax collections shall be transferred to the Department of Transportation's Special Fund if the County Assessor's Office elects to transfer vehicle registration and titling duties to the Department of Transportation. Formerly, this amount was deposited in the state General Fund when the county transferred its duties to the state. (Effective July 21, 1979)

Laws 1980, Chapter 184 provided that 12% of Vehicle License Tax collections shall be deposited in the Highway User Revenue Fund. The remaining collections are distributed according to the previous distribution formula. (Effective July 31, 1980)

Laws 1981, 2nd Special Session, Chapter 2 (as amended by Laws of 1982, Chapter 5) made the following changes to the Vehicle License Tax:

- (1) Changed the yearly depreciation rate to determine the taxable value of vehicles. Formerly, vehicles were taxed on 60% of the manufacturer's base retail price during the first 12 months of the vehicle's life and this value was reduced by 25% in each succeeding 12-month period. Under this law, the value of each vehicle will be reduced by 15% in each succeeding 12 month period. (Effective November 1, 1981)
- (2) Established a Minimum Vehicle License Tax equal to \$10 per year; formerly the Department of Transportation charged a minimum tax of \$3 per year. (Effective November 1, 1981)

- (3) Changed the distribution of the Vehicle License Tax. Under this law, the share of collections distributed to the Highway User Revenue Fund was increased from 12% to 31.5%. The distribution of the balance of collections was not changed. (Effective December 1, 1981)
- (4) Provided for a shift of Vehicle License Taxes deposited in the state General Fund for general purposes. When the growth in this amount exceeds 7% per year, the amount received in excess of 7% per year is distributed to the Highway User Revenue Fund. Originally, the amount transferred under this provision was to reduce the Gas Tax rate, but this requirement was repealed by Laws of 1982, Chapter 5. (Effective beginning with the 1983-84 tax year, but an amount specified in law will be transferred from the state General Fund share of collections to the Highway User Revenue Fund beginning in fiscal year 1982-83.)

Laws 1982, Chapter 257 provided for the distribution of Vehicle License Tax collections on a daily basis in counties where these taxes are collected by the Department of Transportation. (Effective April 27, 1982)

Laws 1983, Chapter 64 required County Treasurers to distribute 31.5% of Vehicle License Tax collections to the Highway User Revenue Fund within 5 days after the collections are received. In counties where the Vehicle License Tax is collected by the Department of Transportation, the registering officers are also required to distribute the Highway User Revenue Fund share within 5 days of receipt. The remaining balance of Vehicle License Tax collections will continue to be distributed on the 15th day of the month following the month in which they are received. (Effective July 27, 1983)

Laws 1983, Chapter 108 provided that privately owned motor vehicles used exclusively as a school bus are classified separately for Vehicle License Tax purposes. Under this law, the taxable value of these vehicles is 1% of the manufacturer's base retail price during the first 12 months of the vehicle's life. The taxable value is to be reduced by 15% during each succeeding 12 month period. The minimum tax for these vehicles is \$5 for any 1-year period. The law also established a means for determining the tax if the vehicle is temporarily operated for purposes other than as a school bus. [See TAX BASE] (Effective July 27, 1983)

Laws 1985, Chapter 308 decreases to 10% the amount of funds placed in the state General Fund, used for general purposes, until July 1, 1990. During this time the "freed" 10% will be placed in the State Highway Fund. This reallocation of Vehicle License Tax monies is attributable to the Federal Government continuing the 8 cent cigarette tax. If at any time through FY 1990-91 the Federal Government drops the 8 cent tax, it will be assumed by the state. Such revenues will then allocate to the State Highway Fund. Under this scenario, Vehicle License Tax collections will be distributed as under prior law.

Laws 1986, Chapter 67 changed the time period of when the 31.5% of the Vehicle License Tax (VLT) collections are distributed to the Highway User Revenue Fund from within 5 days of receipt by the County Treasurer or the Director of the Department of Transportation to the 1st and 15th calendar day of each month. Distributions on the 1st calendar day shall include amounts collected from the 1st through the 15th calendar day of the preceding month. Distributions on the 15th calendar day shall include amounts collected from the 16th through the last day of the preceding month. This bill contained two versions:

- (1) Section 1 designated 10% of the remaining VLT collections to the state General Fund and 10% to the State Highway Fund until after June 30, 1990 when 20% goes to the General Fund, effective August 13, 1986.
- (2) Section 2 designated 20% of the remain VLT collections to the state General Fund, but this becomes effective only when the Federal Excise Tax on small cigarettes is reduced from \$8 per 1,000 to \$4 per 1,000 provided this occurs by June 30, 1990.

Laws 1986, Chapter 94 limited the Vehicle License Tax dollars distributed directly into the State Highway Fund for FY 1986 to \$5.8 million. Any amount in excess of this will go to the state General Fund. (Effective April 18, 1986)

Laws 1988, Chapter 271 accelerated the scheduled 14 increase in the Motor Vehicle Fuel Tax rate from July 1, 1990 to September 1, 1988 at which time the rate would be 174 per gallon. The 14 increase was distributed to the State Highway Fund. Concurrently, the termination date of the transfer from the state General Fund's Vehicle License Tax revenues to the State Highway Fund became effective July 1, 1988 instead of July 1, 1990. The conditional enactments by Laws 1986, Chapter 209 and Chapter 67 were repealed. (Effective July 1, 1988)

Laws 1988, Chapter 343 created a Joint Legislative Study Committee on the Vehicle License Tax with emphasis on the feasibility of establishing a flat rate tax. The committee must complete its findings on or before December 31, 1988. (Effective September 30, 1988)

Laws 1989, Chapter 31 allowed previously certified veterans to renew their Vehicle License Tax exemptions by signing a sworn notarized statement affirming their eligibility. (Effective September 15, 1989)

Laws 1989, Chapter 282 provided that a motor vehicle registration expires 12 months from the last day on the month in which the vehicle was initially purchased. (Effective September 15, 1989)

Laws 1989, Chapter 312 was the General Revenue Act for FY 1990. The annual Minimum Vehicle License Tax was increased from \$10 to \$30. A provision distributed \$17.50 of the minimum \$30 tax collected to the state General Fund. (Effective September 15, 1989)

Laws 1990, 3rd Special Session, Chapter 3 phased down the Minimum Vehicle License Tax from the current \$30 to \$10 over a 3-year period: Beginning January 1, 1991 B\$23.33; January 1, 1992 B\$16.66; January 1, 1993 and thereafter B\$10.00. In addition, the distribution to the General Fund is phased-out by 1993. The Legislature intended to restore the Minimum Vehicle License Tax and its distribution as it existed prior to changes contained in Laws 1989, Chapter 312.

Laws 1991, Chapter 107 allowed military personnel who served active duty in Operation Desert Shield or Storm to receive a 30-day permit to reregister or renew, without payment of any fees or Vehicle License Tax, up to two vehicle registrations which expired while the person was on active duty. This allowance was extended to the surviving spouse or personal representative of such military personnel. The permit can be obtained up to one year after the date of discharge or release from active military duty relating to such operations. This act is repealed from and after June 30, 1993. (Effective Retroactive to August 2, 1990)

Laws 1991, Chapter 176 provided a reduced Vehicle License Tax for vehicles powered by alternative fuels. The value will be set at 1% of the manufacturer's base retail price for the first year of the vehicle and declining 15% in value each succeeding year. The tax rate was set at \$4 for each \$100 in value. The Minimum Vehicle License Tax of \$5 per year was also established. This preferential tax treatment is set to be repealed on January 1, 1999. (Effective September 21, 1991)

Laws 1991, Chapter 265 was 1 of 2 "Omnibus Reconciliation Bills" (ORBs) necessary to implement the General Appropriations Act for FY 1992. One provision for FY 1992 suspended the transfer of Vehicle License Tax collections in excess of 7% growth. This is commonly known as the Usdane Shift. (Effective June 20, 1991)

Laws 1992, Chapter 61 allowed a city or town to conduct and certify an alternative special census prior to July 1, 1993 by contract with the U.S. Census Bureau for purposes of state shared revenues in the Transaction Privilege, Income, Highway User, and Vehicle License Taxes. The State Treasurer is not to accept another special census until after the year 2000. (Effective September 30, 1992)

Laws 1992, Chapter 152 allowed, after June 30, 1992, military personnel who were leasing a vehicle when called to active duty in Operation Desert Shield or Storm to renew the registration of such vehicle without paying registration fees or the Vehicle License Tax. This is a one-time exception and there is a limit of two vehicles per person. (Effective June 8, 1992)

Laws 1992, Chapter 219 required rental car companies to collect a 5% surcharge on rental contracts of 180 days or less. The surcharge collected reimburses the rental car company for its Vehicle License Tax (VLT) paid to the state. On February 15 annually, companies must report to the Motor Vehicle Division (MVD) the amount of VLT paid and the amount of surcharge in excess of the VLT paid. The excess amount of surcharge shall be remitted to the state. Pickup trucks or utility trailers rented for hauling property and subject to proportional registration are exempt from this surcharge. (Effective September 30, 1992)

Laws 1992, Chapter 289 was 1 of 7 "Omnibus Reconciliation Bills" for FY 1993. This bill clarified that the Highway User Revenue Fund (HURF) is the funding source for the Motor Vehicle Liability Insurance Enforcement

Fund in FY 1992 and FY 1993. Also, for FY 1993, the transfers to HURF from the state General Fund of Vehicle License Tax collections in excess of 7% growth, commonly known as the "Usdane Shift," was suspended. (Effective September 30, 1992)

Laws 1993, 2nd Special Session, Chapter 3 was 1 of 6 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 1994. This bill extended for an additional year [FY 1994] the use of HURF revenues for the Vehicle Liability Insurance Enforcement Fund. (Effective June 15, 1993)

Laws 1993, 2nd Special Session, Chapter 9 was 1 of 6 "Omnibus Reconciliation Bills" necessary to implement the General Appropriations Act for FY 94. The bill suspended for FY 1994 the "Usdane Shift" which requires that if Vehicle License Tax receipts from FY 1991-92 to FY 1992-93 increase greater than 7%, the amount in excess of 7% is to be deposited in the HURF rather than the state General Fund in FY 1993-94. (Effective June 15, 1993)

Laws 1993, Chapter 88 extended the commercial motor vehicle gross weight fee exemption to include vehicles (vans or pickups) three-quarter ton or less provided the vehicle is not used more than 1000 hours in a vehicle registration year for commercial purposes. (Effective July 17, 1993)

Laws 1994, Chapter 41 contained the major components of the Tax Reduction Package known as the Middle Income Tax Relief Act (MITRA) of 1994. The act contained the following major provisions affecting the Vehicle License Tax:

The act repeals the "Usdane Shift" which required that if the Vehicle License Tax, or other taxable auto related retail sales of tangible personal property, increases greater than 7%, then an amount determined by formula would be deposited in the HURF rather than the state General Fund (for details on this bill, see Page 3). (Effective July 17, 1994)

Laws 1994, Chapter 173 expanded the exemption from motor vehicle registration fees to vehicles owned by a provider of ambulance, fire fighting or rescue services that are used solely for the purpose of providing emergency services. For purposes of applying the Vehicle License Tax (VLT), a separate class of vehicles was created consisting of privately-owned motor vehicles that are used solely for the purpose of providing ambulance or fire fighting services. For purposes of the act, "ambulance" means a vehicle for which a certificate of registration has been issued. These vehicles will be assessed an annual VLT of \$4 for each \$100 in value. During the first 12 months of the life of the vehicle, as determined by its initial registration, the value is 1% of the manufacturer's base retail price of the vehicle. During each succeeding 12-month period, the value of the vehicle is 15% less than the value of the preceding 12-month period. However, the minimum amount of the license tax computed shall be \$5 per year for each vehicle subject to the tax. Vehicles temporarily operated for purposes other than providing ambulance or fire fighting services will be assessed a VLT equal to one-tenth of the annual VLT for each calendar month that the motor vehicle is so operated in this state. The Registering Officer shall not apportion the VLT for any fraction of a calendar month. (Effective July 17, 1994)

Laws 1995, Chapter 132 made technical changes to Title 28 (Transportation) and reorganizes the title to allow for the addition of new statutes. Repealed Arizona Revised Statutes Title 2 (Aeronautics), Title 18 (County Highways) and the current Title 28 and reenacts these provisions in a new Title 28. Moved some provisions to more appropriate titles including Title 20 (Insurance), Title 38 (Public Officers and Employees), Title 41 (State Government) and Title 48 (Special Taxing Districts). Instructed Legislative Council to prepare conforming legislation for next session. (Effective From and After December 31, 1996)

Laws 1995, Chapter 147 provided for changes to Title 28 (Transportation) in conjunction with, and conditional to the enactment of, the Title 28 technical rewrite (Laws 1995, Chapter 132). (Effective From and After December 31, 1996)

Laws 1995, Chapter 244 provided for the transfer and appropriation of State Highway Fund and state General Fund monies to the Department of Transportation to purchase land, buildings and inventory of the Maricopa County Auto Licensing Department. (Effective July 13, 1995)

Laws 1995, Chapter 271 established a Joint Legislative Review Committee to study the possible implementation of a “vehicle plate to owner system” for the general public and report their findings by December 31, 1995. Allowed the Director of the Department of Transportation to provide for the biennial registration of any vehicle not subject to annual emissions testing. (Effective July 13, 1995)

Laws 1996, Chapter 264 required 100% disabled veterans to submit documentation certifying their eligibility for an exemption from the VLT only on the initial registration of a vehicle.

Laws 1996, Chapter 365 changed the distribution of the VLT. Previously, of the 68.5% of VLT collections that did not go to the HURF, 20% was designated to the state General Fund for general purposes. Under this act, that percentage will decline to:

- 18% in FY 1997
- 16.6% in FY 1998
- 15% in FY 1999
- 12% in FY 2000 and thereafter

Every year, starting with FY 1996-97, an additional 2% of VLT monies is to be deposited in the State Highway Fund. In FY 1996-97, a cap of \$6 million is established, with any remaining revenue going back to the General Fund.

Beginning in FY 1997-98, a portion of the non-HURF revenue will be deposited in a special fund to be shared among the counties in proportion to each county’s share of the statewide population living in unincorporated areas (i.e., not within any city limits), as follows:

- 1.4% in FY 1998
- 3.0% in FY 1999
- 6.0% in FY 2000 and thereafter

The counties are allowed to spend these funds in the same manner as they spend their HURF allocations.

Laws 1998, Chapter 267 required that if the Department of Transportation's authorized share of federal surface transportation program monies in each year is more than \$42 million, the director shall transfer from the State Highway Fund's share of VLT collections to the Local Transportation Assistance Fund an amount equal to 1.64% of total VLT collections or the difference between \$42 million and the state's share of the federal surface transportation program monies, whichever is less.

Laws 1998, 4th Special Session, Chapter 3 reduced the assessment rate from \$4 to \$3.35 per \$100 of value for the first 12 months of the life of a vehicle and to \$3.45 thereafter. Furthermore, the annual depreciation rate was accelerated from 15% to 16.25%. To offset the loss in VLT collections, and to hold other VLT recipients harmless, the General Fund’s share of collections was reduced from 27.40% to 13.31% in FY 1999 and from 25.35% to 10.85% in FY 2000 and beyond. The distribution percentages for the HURF, the State Highway Fund, and the local government funds were modified to accommodate the hold harmless intent of the legislation and to simplify the distribution mechanism. The General Fund impact of this legislation was projected to be a reduction of \$80 million in FY 1999 and an additional \$20 million in FY 2000.

Laws 1999, 1st Special Session, Chapter 5 reduced the VLT rate from \$3.35 for each \$100 of assessed value down to \$3.22 for new vehicles, and from \$3.45 for each \$100 of assessed value down to \$3.32 for renewals. Beginning June 1, 2000, the rate per \$100 of assessed value for new vehicles will further decrease to \$3.12, and the rate per \$100 of assessed value for renewals will drop to \$3.22. This provision is effective July 7, 1999. Also, this act identified 5 additional rate reductions that are based on the availability of excess revenue at the end of FY 1999. If sufficient revenue exists to implement all 5 “triggered” rate reductions, the tax rate would fall by another \$0.29. Since there was sufficient excess revenue, the conditional VLT reductions became effective December 1, 1999. The General Fund impact of this legislation was projected to be a reduction of \$35 million in FY 2000 and an additional \$25 million in FY 2001. This legislation effectively eliminated VLT deposits to the General Fund.

In addition, General Fund deposits totaling \$21.4 million were made to the HURF and Local Transportation Assistance Fund (LTAF) in FY 2001, in order to hold these funds harmless from VLT rate reductions. As a result of reduced General Fund revenues, there were no hold harmless General Fund deposits made to the HURF in FY 2002 and FY 2003. There was a reduced General Fund deposit of \$3.5 million made to LTAF in FY 2002, and the deposit was eliminated in FY 2003.

Laws 2001, Chapter 154 established a one-time registration and VLT fee for trailers or semitrailers exceeding 10,000 pounds gross vehicle weight. Previously, owners and operators of these types of trailers paid an annual registration fee and an annual VLT.

Laws 2001, Chapter 326 revised the fee schedule for the reimbursement of 3rd parties for registration services performed for MVD, and clarified specific fees for specific services performed.

Laws 2002, Chapter 328 provided that 50% of any increase in vehicle license tax collections due to vehicle registration enforcement in the motor vehicle division of the department of transportation shall be deposited in the state General Fund, and the remaining 50% shall be distributed pursuant to A.R.S. § 28-5808.

Laws 2002, Chapter 221 changed the VLT and registration fees for trailers over 10,000 pounds gross vehicle weight based on the model year of the trailer and previous registration in this or any other state. It provided that previously registered trailers over six years old pay a reduced registration fee and previously registered trailers of any age pay reduced VLTs. Registration and VLT rates for the initial registration of these types of trailers remained unchanged.

Laws 2004, Chapter 306 provided that the surviving spouse of a 100% disabled veteran may continue to receive the exemption from this tax until remarriage or death. The fiscal impact of this change is unknown.

Laws 2005, Chapter 306 established the Parity Compensation Fund consisting of VLT distributions and legislative appropriations to fund salaries and benefits for Department of Public Safety law enforcement personnel. This legislation redirected 1.51% of the portion of the VLT revenues for the entire month that would otherwise be deposited in the State Highway Fund to the Parity Compensation Fund. It also directed that the appropriation to the Parity Compensation Fund from the VLT revenues would not impact the distribution of those revenues to the state General Fund and to the counties, cities, and towns. The bill specified that the Parity Compensation Fund monies do not revert to the state General Fund, are exempt from lapsing, and are subject to legislative appropriation. The bill became effective on the general effective date, retroactive to July 1, 2005.

Laws 2007, Chapter 239 made numerous changes to the existing VLT and vehicle registration fee exemption for members of the military who are deployed in support of a worldwide contingency operation of the United States armed forces. Changes included expanding the exemption to include newly-acquired vehicles; limiting the exemption to military members who are residents of Arizona; providing that the exemption may only be taken one time; and limiting the exemption to no more than 2 vehicles. This bill was estimated to reduce VLT collections by approximately \$(360,000) in FY 2008. This reduction will have no impact on the state's General Fund, but will impact the amount of VLT deposited into the State Highway Fund and distributed to local governments. (Effective September 19, 2007)

Laws 2008, Chapter 291 allowed county VLT monies to be used for any purpose related to transportation as determined by the Board of Supervisors instead of limiting the use of VLT monies to the same use as HURF monies. (Effective September 26, 2008)

Laws 2008, Chapter 294 reduced the VLT on all-terrain or off-highway vehicles to a flat rate of \$3 per year. Chapter 294 further provided that these vehicles be subject to an off-highway user fee, which is to be determined by ADOT in cooperation with the Game and Fish Department and the Arizona State Parks Board by January 1, 2009. This legislation was anticipated to result in a \$(2.7) million reduction in VLT revenues in FY 2010, the first full year of implementation. Overall, the legislation was expected to result in net new revenues of \$5.4 million, with the \$(2.7) million loss in VLT revenues offset by \$7.2 million in new user fee collections, and \$1.4 million in new title and license plate fees. The majority of the new user fee revenues will be deposited into the Off-Highway Vehicle

Recreation Fund, with smaller portions allocated to the State Highway Fund and local governments for transportation funding. (Effective December 31, 2008)