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MEMORANDUM

2014-30

To: All Licensing Officials, Tax Collectors, and Tax Assessors

From: Bill Bass, Director
Property Tax Division

Brenda R. Coone, Director
Motor Vehicle Division

Subject: Questions Concerning the Provisions of Act 2014-301

Date: December 1, 2014

The Property Tax and Motor Vehicle Divisions received the following questions from licensing officials regarding the provisions of Act 2014-301. This act becomes effective January 1, 2015, and permits the county commission, in conjunction with the county license plate issuing official to authorize the issuance of two year motor vehicle registration renewals. Both divisions, in conjunction with the Department's Legal Division, have worked together to answer submitted questions. This information is being distributed in an effort to aid licensing officials in understanding their responsibilities should the county decide to offer two year registration renewals.

1. Q. How many tag receipts and decals will be issued to registrants who chose to renew their vehicle registrations for two years?
 - A. Two (2) tag/tax receipts and one (1) decal will be issued to registrants who choose to renew their vehicle registrations for two years.
2. Q. Does the two year option provided for in Act 2014-301 pertain to registration renewals only or are initial registrations included also?
 - A. Act 2014-301 provides for the two-year option for registration renewals only.
3. Q. If a registrant opted for a two-year registration renewal, then sold his/her vehicle before the two-year renewal expired, would the registrant be permitted to transfer the registration to a newly acquired vehicle?
 - A. Yes. A registrant who has purchased a two-year registration may transfer the registration to a newly acquired vehicle, provided the registration is a type of registration that is transferable under Alabama law.
4. Q. Will there be any new reporting requirements for licensing officials as a result of Act 2014-301? If so, the new requirements may affect licensing officials?

budgets.

- A. Licensing officials will continue to submit motor vehicle registration records in the same manner. When a registration has been renewed for a two-year period, a registration record must be sent for each year. This will aid the department in conducting statistical analyses for plate ordering and legislative purposes.

The Alabama Department of Transportation as well as the Examiners of Public Accounts has notified the Department of Revenue that no reporting changes are required as a result of the act. The Comptroller's Office notified Revenue that the tag money will all be combined on the MV Summary Statement regardless to whether registrations are renewed for one year or two years. Receipts should be listed on the detailed motor vehicle listing in the same manner as registrations are submitted to the state's registration database.

There will be changes to the ad valorem abstract sent to the Property Tax Division. Detailed information regarding the changes will be provided in a separate memorandum.

5. Q. What type of information should be sent to the state?

- A. Licensing officials will continue to submit motor vehicle registration records in the same manner. When a registration has been renewed for a two-year period, a registration record must be sent for each year.

The Motor Vehicle Division is discussing an update to the registration record to include ad valorem taxes, so a record for each tax year will be needed. This information is not being requested as a result of this act.

6. Q. Should ad valorem tax values be depreciated for year two?

- A. No, current law provides that vehicles are taxed at the current fair market value.

7. Q. Will there be any changes to credit vouchers?

- A. No.

8. Q. Are there any restrictions regarding who will qualify for the option to obtain two year registration renewals?

- A. Yes. The two year registration renewal option will only be available to registrants who are not subject to eligibility requirements.

License plate categories that would not be eligible for two year registration renewals include, but are not limited to, national guard, active reserve, dealer, dealer transit, and manufacturer plate categories.

9. Q. How should licensing officials address registrant perception of paying second year ad valorem taxes on current value rates?
 - A. In any participating county where a registrant opts for a two year registration renewal, he/she is making a voluntary ad valorem tax payment for the second registration year. The Property Tax Division will distribute an affidavit to all participating licensing officials that registrants who request a two year renewal should complete.
10. Q. Does this law change the requirements for licensing officials under the MLI law, Section 32-7A-17?
 - A. No.
11. Q. What specific fees/taxes will counties forfeit by opting to provide for two year registration renewals?
 - A. Act 2014-301 provides that registrants will not be required to pay an additional local issuance fee for second year. Therefore, any county that levies an additional local issuance fee to be collected at the time of registration or renewal will not be able to collect the local issuance fee for the second year of registration.
12. Q. Would ADOR object to issuing agencies supporting legislation to address concerns with this act?
 - A. Please forward all concerns to the Department's Tax Policy and Research Division at taxpolicy@revenue.alabama.gov.
13. Q. Would licensing officials who opted to offer two year registration renewals be required to maintain inventory of validation decals for three (3) years (present year, 1st future year, & 2nd future year)?
 - A. Yes
14. Q. If there is a license plate design change before a registrant's registration expires, is he/she required to obtain the new design even though the registration is current?
 - A. No. The registrant would not be required to obtain the new plate design until the current registration expires.

15. Q. Who sponsored this legislation?
 - A. Senator Coleman from Jefferson county.
16. Q. What is the benefit of the Act?
 - A. The act permits licensing officials to offer two year registration renewals to the residents of the county.
17. Q. Do the benefits of the law outweigh the costs of implementation and administration ambiguities?
 - A. This decision must be made independently by the licensing officials along with the county commissions.
18. Q. Do the provisions of Act 2014-301 permit cities that are issuing registration renewals in Jefferson County to participate in the two year registration renewal process? If so, may they do so even if the county opts not to participate?
 - A. No. A city in the state of Alabama is not allowed to issue two-year registration renewals, as the authority to do so lies solely in the hands of the county commission.
19. Q. Once a county elects to offer two year registration renewals, are they permitted to opt out and revert back to offering single year registration renewals?
 - A. Yes. A county commission may authorize the county to revert back to the single year registration renewal process after it has elected to offer the two-year registration renewal.
20. Q. When a registrant moves from a two year registration renewal county to a single year registration renewal county, what happens at the renewal month?
 - A. The registration renewal is valid until it expires.
21. Q. Will the two year registration renewals affect the manner in which persons whose motor vehicle registrations have been suspended due to the mandatory liability insurance law be handled?
 - A. No.
22. Q. Are there plans for the entire state to be change to a two year rather than annual renewal system?

- A. Changing from an annual renewal system to a two year renewal system on a statewide basis would require a law change. DOR is not currently aware of any plans to initiate such a change.
23. Q. Will licensing officials in counties that opt into the two year registration renewal process collect two years of registration fees and two years of ad valorem taxes, or one year of registration fees and two years of taxes?
- A. Licensing officials would collect two (2) years of all fees/taxes with the exception of any local issuance fees that may be applicable. The act provides that registrants shall not be required to pay an additional local issuance fee for the second year of registration.
24. Q. Is this an elective act to where the county commission could opt out of offering two year registration renewals?
- A. The statute provides that the county “may” authorize a two-year registration renewal process and is therefore an elective act in which the county may decline to offer two-year registration renewals.
25. Q. What would happen if a registrant renewed the vehicle registration for a two year period, then cancelled the liability insurance before the registration expired? Would the registrant be required to pay the \$200 or \$400 reinstatement fee?
- A. Reinstatement fees are \$200 for the first **violation** and \$400 for the second and any subsequent **violations**.
26. Q. (a) If a registrant elects to renew for two years and the licensing official knows that there is a millage rate change for the second year, should the ad valorem taxes for the second year be calculated on the new millage rate levy or the millage rate levy at the time of renewal?
- A. The statute provides that a county commission may offer two-year registration renewals notwithstanding any other laws. The calculation of ad valorem taxes for the second year should be calculated based on the current millage rates at the time of renewal in accordance with current Alabama law.
- Q. (b) If a registrant elects to renew for two years and the licensing official discovers after the two year registration renewal has been completed that there is a millage rate change for the second year, should the licensing official make an escape assessment for the additional ad valorem taxes for the second?
- A. The licensing official should make an escape assessment for the additional ad valorem taxes for the second year in the event there is a millage rate change for

the second year.

27. Q. If a two year vehicle registration renewal is revoked during the first year in accordance with the mandatory liability insurance law, what fees should be collected when the registrant registers the vehicle again?
- A. The registrant must declare whether they wish to renew the registration for a one or two year period. Even if the initial renewal was for a two year period and then revoked, he/she is not required to renew again for a two year period.
28. Q. What will be the process to determine who chose to renew on an annual basis versus for a two year period?
- A. The registration records in the licensing officials' and state databases would reflect the registration expiration period.