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Research Brief

TO: Representative Anna Fairclough
FROM: Patricia Young, Manager
DATE: December 7, 2012
RE: Exemption from Motor Vehicle Registration Fees for Senior Citizens
LRS Report 13.097

You noted that pursuant to AS § 28.10.411(f), an individual who turns 65 after January 1st of the year that his or her vehicle registration is due is not eligible for the exemption from fees afforded to an individual who turned 65 on or before that date. You therefore wished to know the history behind the statute, and you were particularly interested in the reasoning behind the current disparity in availability for the exemption.

Briefly, the vehicle registration fee exemption for senior citizens, established in 1978, was originally intended to apply to vehicle owners aged 65 or over on the date that registration becomes due for renewal. The current disparity in availability for this exemption appears to be an unintended and overlooked result of a series of changes to various motor vehicle registration laws begun during the 1980s, the most salient of which is the requirement of being 65 on January 1st of a registration year in order to qualify for the exemption—a requirement intended to complement registration periods set to expire annually on December 31st. Another significant factor was that payments for partial-year registration—which had been used by some to pay for *less* than one year’s registration—was determined to be available only for extending registration *beyond* one year.

Subsequent changes in the late 1990s—most specifically, the shift of registration from an annual to a biennial event, and the linkage of registration to emission inspections that could not be required more than once every two years—combined with earlier changes to create the inequity now inherent in the law. The scarcity of discussion in committee minutes and bill files makes clear that this situation resulted without intention or recognition. It appears likely that the problem could be rectified through the relatively uncomplicated expedient of deleting the phrase “on January 1 of the year the vehicle is registered” in AS § 28.10.411(f).

What follows is a description of the minutiae of events leading to the above-recounted summary.

Legislative History: How We Arrived at the Present Shore

Registration of vehicles was originally an annual requirement with all registrations expiring on December 31st. Owners were nevertheless allowed a grace period for renewal until May 31st of the following year.¹ In 1978 lawmakers rewrote Chapter 10 of Title 28. Among many other items, the new Chapter 10 included the following:

- AS § 28.10.101—explained registration expiration and renewal provisions: until December 31, 1978, registrations would expire at midnight on December 31st but an owner could drive a vehicle under registration for the preceding year until May 31st of the year for which the registration was required; beginning with January 1979, expirations and renewals would be as specified under a new staggered registration scheme.
- AS § 28.10.105—described the staggered registration scheme, which was set to begin in January of 1979, and did not include a grace period.

¹ AS § 28.10.170.

- AS § 28.10.105(f)—offered a procedure by which an owner could register a vehicle for a portion of a year in order to shift the annual renewal to the month that would be most personally convenient.
- As § 28.10.411(c)—provided an exemption for seniors 65 and older, which read as follows:

A resident 65 years of age or older is entitled to an exemption from tax under this section for one motor vehicle subject to registration. No exemption may be granted except upon written application for the exemption on a form prescribed by the department.²

The provisions for implementation of the scheme for staggered registrations required that the initial and annual registration of every vehicle subject to registration under the section pertinent to seniors (and certain others) would be renewed *during the month of January*, unless the owner adjusted the renewal month by paying for a portion of the year.³

Never intended to allow a vehicle to be routinely registered for periods of less than a year, the partial-year payment provision was repeatedly used by some owners, resulting in increased administrative work on the part of the Division of Motor Vehicles (DMV). Additionally, the division became concerned that some individuals—perhaps remembering the grace period, or perhaps simply waiting until they reached age 65—would drive unregistered vehicles until they became eligible for the senior exemption.⁴

At the request of the DMV, the governor in 1984 introduced a bill to address several problems, including a clarification that the partial-year payment option could be exercised only once per vehicle and a clarification that a senior citizen would be exempt from both registration fees and taxes if he or she was 65 on the date the registration was due. Pertinent language in SB 499 on the senior exemption read as follows:

AS 28.10.411(c) is amended to read:

(c) A resident 65 years of age or older on the date that the tax is due is entitled to an exemption from the tax under AS 28.10.431 (b) and the registration fee [tax] under this section for one motor vehicle subject to registration under AS 28.10.421 (b)(1), (2), (5), or (6). No exemption may be granted except upon written application for the exemption on a form prescribed by the department.⁵

Although the bill passed the Senate by a vote of 19-0-1, it died in the House without a hearing. The following year—early in 1985—the governor introduced another bill—SB 84—with similar language and an identical explanation.⁶

² The rewrite of chapter 10 was in Section 7 ch 178 SLA 1978.

³ The staggered registration provisions specific to seniors was AS § 28.10.107(b); the partial-year payment option was set out in AS § 28.10.105(f).

⁴ Conversation on November 29, 2012, with Chuck Hosack, retired deputy director, Division of Motor Vehicles.

⁵ According to the governor's transmittal letter on SB 499, the new (underlined) language corrected an ambiguity about registration fees and taxes and "makes it clear that a resident aged 65 years or older, on the date the tax is due, is exempt from payment of both the registration fee and the tax . . ." (*Senate Journal*, February 14, 1984, p. 2082).

⁶ The only change involved the final sentence, which in SB 84 had become "An exemption may not be granted except upon written application for the exemption on a form prescribed by the department."

The Senate Judiciary Committee recommended a committee substitute (CS) for SB 84 in which changes to the provision on the use of the partial-payment option were omitted, but the section pertaining to an exemption for seniors remained unchanged from the original bill. The bill was then referred to the Finance Committee on April 10, 1985, but does not appear to have been heard. The following day SB 278, a bill unrelated to the issues in SB 84 but nevertheless dealing with motor vehicles, was introduced. The Legislature adjourned on May 12, 1985, with SB 278 in the Senate Finance Committee.

Before adjournment, however, lawmakers passed a revisor's bill, HB 157, that had repealed the sections of Chapter 10 dealing with the expiration of registrations (AS § 28.10.101), the description of staggered registration and partial-year payments (AS § 28.10.105), and the implementation of staggered registrations (AS § 28.10.107) because, as the revisor noted in the sectional analyses, certain parts were obsolete, redundant, or both. The revisor had rewritten those sections and incorporated the main points—including the partial-year payment of registration fees—under a new section, AS § 28.10.108.⁷ The bill passed late in April with an effective date of May 10, 1985. As such, both SB 84 and SB 278, which dealt specifically with motor vehicle laws and which were still in play through the following year, addressed some sections of law that had already been repealed and the provisions rewritten.

After the Legislature reconvened in 1986, the Senate Finance Committee recommended a CS for SB 278 that incorporated provisions of CS SB 84 (Jud), but in this committee substitute, the ambiguity over taxes versus fees was dealt with in other sections and the language on timing of the senior exemption had become a specific date—January 1st of the registration year. In CS SB 278 (Fin), the section read as follows:

AS 28.10.411(c) is amended to read:

(c) A resident 65 years of age or older on January 1 of the year the vehicle is registered is entitled to an exemption from the registration fee required [tax] under this section for one motor vehicle subject to registration under AS 28.10.421 (b)(1), (2), (5), or (6). An exemption may not be granted except upon written application for the exemption on a form prescribed by the department.

Neither minutes nor bill files reveal any discussion or explanation of the change in timing beyond the following notation written by hand above “on January 1” on a copy of the CS in a bill file: “DOA amendment from previous meeting.” A sectional analysis for this proposed CS, however, makes no mention of the change, describing the section simply as

Technical changes which clarifies [sic] the distinction between tax and fee as it relates to senior citizen exemptions.

The language proposed for this CS stayed in the bill, and the potential consequences of the timing provision appear to have been overlooked or considered to be inconsequential from this point forward.⁸ That any potential problem was unintended is evidenced by a position paper submitted *the following month* by DMV in support of this and other amendments:

[These sections] are basically housekeeping items which will enhance our operation by correcting problem areas we have experienced and/or can foresee in the future.

More telling, *subsequent* sectional analyses found in the files for this bill describe the section as follow:

⁷ Other aspects of HB 157 underwent a surprising amount of contentious jockeying, but the sections dealing with motor vehicle registration remained unaltered.

⁸ The language with the timing change survived enactment of SB 278 as Chapter 60 SLA 1986.

[Section 6 (AS § 28.10.411 (c)) makes it clear that senior citizens *aged 65 or older on the date the vehicle registration fee is due is [sic] exempt from the fee.* [Emphasis added.]

In 1993, a large governor's bill related to the financial administration of state government inserted the phrase "once each calendar year" in the provision describing the senior exemption, which, by this point was codified at AS § 28.10.411(f).⁹ The change was supported by DMV, and the only comment relevant specifically to this section came from Juanita Hensley, long-time director of DMV, who noted that some abuses had occurred. Chuck Hosack recalls Ms. Hensley's comment referring to a few instances in which seniors used the exemption to register a first vehicle without charge, give or sell that vehicle to family members or friends, and then register another vehicle without charge. Limiting the exemption to a single vehicle per calendar year was the only objective discussed by DMV officials at that time.

Two years later (1995), lawmakers authorized motor vehicle emissions inspections (I/M) to be conducted biennially (instead of annually) beginning in July of 1996. The legislation specified that such inspections could not be required more than once every two years.¹⁰ Legislation in 1996, among other provisions, changed the effective date of required emissions inspections from July 1996, to January 1, 1997; converted vehicle registration from an annual to a biennial event; and *linked the emissions inspection with vehicle registration beginning on January 1, 1997.*¹¹ The financial impact on seniors was discussed, but only in regard to paying fees for two years at the same time.

Lawmakers revisited the senior exemption issue again in 1998 with a bill—HB 482—intended to increase efficiencies at DMV and to benefit to seniors (and disabled Alaskans). The resulting legislation specific to the senior exemption removed the requirement for biennial registration and established a one-time, one-vehicle registration that would be permanently valid until ownership of the vehicle changed.¹² Neither committee minutes nor bill files reflect any recognition of a potential inequity.

At this point, emissions inspections are no longer required for vehicle registration, and biennial vehicle registration is no longer required of seniors. The DMV operates more efficiently since the language on partial-year payments in AS § 28.10.108(f) has been interpreted to allow for extending registration *beyond* one year—but not for extending registration by less than one year. Although an exemption for seniors could be crafted, we believe that the simplest solution to the current problem may be the deletion of the phrase, "on January 1 of the year the vehicle is registered" in AS § 28.10.411(f).

We hope this is helpful. If you have questions or need additional information, please let us know.

⁹ HCS CSSB 99 (Fin) am H was enacted as chapter 63 SLA 1993. Section 58 amended the language of the senior exemption.

¹⁰ CS SB 28 (Fin)(title am) was enacted as chapter 56 SLA 1995.

¹¹ HCS CSSB 226 (Fin) am H was enacted as chapter 44 SLA 1996. Sections 6 and 7 substituted "biennial" for "annual" in regard to registration renewal, and "biennial registration period" for "calendar year" in AS § 28.10.411(f).

¹² CS HB 482 (TRA) am was enacted as chapter 128 SLA 1998; the law added §§ (l) to AS § 28.10.108 and removed the phrase "once each biennial registration period" from AS § 28.10.411.