

TITLE: An Estimate of the Rate at Which Vehicle Values Depreciate for Use in Calculating Vehicle License Fees

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PROJECT OBJECTIVE:

To determine how much vehicle license fee (VLF) revenue is lost due to the VLF depreciation structure underestimating the actual retail value of used vehicles.

SUMMARY:

This study involved a comparison of the value of vehicles based on the VLF depreciation formula with the retail value of vehicles from the Kelly Blue Book. The study found that the average vehicle depreciated at a much lower rate than the formula used in the revenue and taxation code (RTC 10753.2). It was estimated that use of the outdated VLF structure was costing the state \$352,000,000 per year in lost revenue (1981 dollars).

IMPLEMENTATION STATUS OF FINDINGS AND RECOMMENDATIONS:

The VLF structure (RTC 10753.2) was amended in 1983 to reduce some of the gap between the actual and assessed value of used vehicles.

SUPPLEMENTARY INFORMATION:

Unknown.