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AN ONGOING CONVERSATION ABOUT HOW TO BEST PRESERVE FREE ENTERPRISE,  
PERSONAL RESPONSIBILITY AND LIMITED GOVERNMENT IN NEBRASKA.

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## Lowering Vehicle Fees by Jordan Cash

It is widely acknowledged Nebraska is an inexpensive place to live, with a cost of living far below the national average. Of cities with over 200,000 people, Omaha has the fourth lowest cost of living in the country, and Lincoln's is 7 percent lower than the national average.[\[1\]](#) Yet some of this good news is countered by high fees and taxes we pay to register our cars.

Nebraskans pay three different fees and taxes when they register vehicles: a motor vehicle tax, a motor vehicle fee, and a registration fee.[\[2\]](#) The rates for these taxes are set by the state and are uniform across counties and municipalities, with revenues collected by the county treasurer and divided among the local entities; a few localities also collect additional taxes and fees.[\[3\]](#) The motor vehicle tax is assessed at the initial time of registration and every year after that until the vehicle is 14 years old or more. The assessment is based upon the Manufacturer's Suggested Retail Price (MSRP), with the base tax rates dependent on the vehicle's value when new.[\[4\]](#) Cars, trucks, trailers, and other miscellaneous vehicles all have different rates and calculations.[\[5\]](#) The motor vehicle fee is similarly calculated based upon the vehicle's value and age, but it also takes weight and use into account.[\[6\]](#) The registration fee differs depending on the type of vehicle. Passenger vehicles pay a flat \$15 fee and for hire vehicles pay a \$6 fee plus \$4 for every person the vehicle could hold.[\[7\]](#) Commercial vehicle fees are based upon gross weight, with those weighing three tons or less only paying an \$18 fee while those weighing seven tons or more paying \$85 plus \$25 for each additional ton.[\[8\]](#) However, if the commercial vehicle is used for transporting agricultural products then the total fee is reduced by ten percent.[\[9\]](#)

This combination of taxes and fees means Nebraskans-both private citizens and businesses-pay a lot to register vehicles. A 2011 study by the Idaho Transportation Department calculated that Nebraska had the seventh highest registration fees in the nation.[\[10\]](#) Of the neighboring states, only Missouri had higher fees and taxes.[\[11\]](#) The study-which used a 2007 Toyota Camry with an MSRP of \$22,140 and a weight of 3285 lbs. as its point of reference-calculated that a Nebraskan registering such a vehicle would pay \$306.10 in registration fees and taxes alone.[\[12\]](#) When personal property, ad valorem, and fuel taxes are added, the amount jumps to \$469.90.[\[13\]](#)

Here is a list of Nebraska's taxes and fees compared to our neighboring states and the national average based on the Idaho study:[\[14\]](#)

Nebraska: \$306.10

Iowa: \$198  
South Dakota: \$61  
Missouri: \$426.75  
Kansas: \$193.18  
Colorado: \$156.53  
Wyoming: \$147.84  
U.S. average: \$184.02

High registration fees and taxes provide an incentive for people to skirt the law and register their cars in other states. In 2008, the Nebraska State Patrol estimated that up to 14,000 individuals registered their vehicles in South Dakota and Iowa, costing the state an estimated \$11 million annually.<sup>[15]</sup> The extent of this evasion indicates that these taxes and fees are out of balance and must be lowered.

One way to lower these rates while remaining relatively revenue neutral would be to eliminate the discrepancies between farm and non-farm trucks. Currently, trucks used for agricultural use get large discounts not available to other non-farm commercial and private trucks, including the ten percent discount for commercial trucks transporting farm products.<sup>[16]</sup> Non-farm trucks have a fee range of \$18 for 3 tons or less to \$1,140 for 47 tons or more, but farm trucks have a much smaller range of \$18 for 5 tons or less and only \$335 for 47 tons or more. The Federal Highway Administration calculated in 2008 that, in Nebraska, the average fee for a single-unit non-farm truck was \$138, while the average fee for a single-unit farm truck was \$24.50, a mere 17.8 percent of the price paid by non-farm truck owners.<sup>[17]</sup> When one considers that 27.4 percent of all trucks and 19 percent of all trailers registered in Nebraska in 2011 were registered as farm vehicles, it becomes clear that the rate difference account for a significant amount of revenue.<sup>[18]</sup>

These rate discounts began in 1933 to help farmers deal with the twin crises of the Dust Bowl and Great Depression, which had substantially reduced the value of farm land and crops.<sup>[19]</sup> However, farmers no longer suffer from these deprivations, and data from the 2010 Census indicates that average farm household income is 25 percent higher than their non-farm counterparts.<sup>[20]</sup> As such, it is questionable whether these exceptions are still necessary, especially since no other industry receives these benefits, giving agriculture an advantage and resulting in non-farm drivers absorbing the difference through higher taxes and fees. Equalizing fees would lower fees and taxes for the vast majority of Nebraskans, and should at the very least be reviewed.

Another way to provide lower fees would simply be for the entities receiving money from the registration fees to decrease spending. Revenue from the motor vehicle tax and fee is distributed between the county, municipality, and local school system.<sup>[21]</sup> Less spending by these entities would allow for lower fees and save taxpayers an immense amount of money.

Lowering vehicle registration taxes and fees would benefit Nebraskans at the individual, business, and governmental level. At the individual and business level, lowering these taxes and fees would allow individuals and businesses to keep more of their own money, which could then create a multiplier effect as that money is saved, invested, or spent elsewhere. At the governmental level, lowering fees and rates would end some of out-of-state registration

caused by high fees and actually bring money back to Nebraska.

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[1] "Top Ten Cities With Lowest Cost of Living in America." Available at <http://www.areavibes.com/library/10-cities-lowest-cost-of-living/>, accessed July 24, 2012; "Lincoln cost of living comparison." Available at <http://www.areavibes.com/lincoln-ne/cost-of-living/>, accessed July 24, 2012.

[2] Nebraska Department of Motor Vehicles, "Registration Fees and Taxes," April 18, 2012. Available at [http://www.dmv.ne.gov/dvr/mvreg/fees\\_taxes.html](http://www.dmv.ne.gov/dvr/mvreg/fees_taxes.html), accessed July 25, 2012.

[3] Nebraska Legislature, "Taxes in Nebraska: Nebraska Motor Vehicle Taxes and Fees History and Program Description." Available at [http://www.nebraskalegislature.gov/app\\_rev/source/narrative\\_vehiclehistory.htm](http://www.nebraskalegislature.gov/app_rev/source/narrative_vehiclehistory.htm), accessed July 26, 2012.

[4] Nebraska Department of Motor Vehicles, "Registration Fees and Taxes," April 18, 2012. Available at [http://www.dmv.ne.gov/dvr/mvreg/fees\\_taxes.html](http://www.dmv.ne.gov/dvr/mvreg/fees_taxes.html), accessed July 26, 2012; Nebraska Department of Motor Vehicles, "Motor Vehicle Tax Calculation Table," January 1, 2012. Available at [http://www.dmv.ne.gov/dvr/pdf/MV\\_Tax\\_Fee\\_Chart\\_1-1-2012\\_Rev.pdf](http://www.dmv.ne.gov/dvr/pdf/MV_Tax_Fee_Chart_1-1-2012_Rev.pdf), accessed July 26, 2012.

[5] Nebraska Department of Motor Vehicles, "Motor Vehicle Tax Calculation Table," January 1, 2012. Available at [http://www.dmv.ne.gov/dvr/pdf/MV\\_Tax\\_Fee\\_Chart\\_1-1-2012\\_Rev.pdf](http://www.dmv.ne.gov/dvr/pdf/MV_Tax_Fee_Chart_1-1-2012_Rev.pdf), accessed July 26, 2012.

[6] Nebraska Department of Motor Vehicles, "Registration Fees and Taxes," April 18, 2012. Available at [http://www.dmv.ne.gov/dvr/mvreg/fees\\_taxes.html](http://www.dmv.ne.gov/dvr/mvreg/fees_taxes.html), accessed July 26, 2012; Nebraska Department of Motor Vehicles, "Motor Vehicle Tax Calculation Table," January 1, 2012. Available at [http://www.dmv.ne.gov/dvr/pdf/MV\\_Tax\\_Fee\\_Chart\\_1-1-2012\\_Rev.pdf](http://www.dmv.ne.gov/dvr/pdf/MV_Tax_Fee_Chart_1-1-2012_Rev.pdf), accessed July 26, 2012.

[7] Nebraska Revised Statute 60-3, 143. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3,143>, accessed July 26, 2012.

[8] Nebraska Revised Statute 60-3, 147. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3,147>, accessed July 26, 2012.

[9] Nebraska Revised Statute 60-3, 147. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3,147>, accessed July 26, 2012.

[10] Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Available at

<http://itd.idaho.gov/econ/MiscReports/Comparison%20of%20Annual%20Motor%20Vehicle%20Operating%20Costs%202011.pdf>, accessed July 26, 2012.

[11] Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison%20of%20Annual%20Motor%20Vehicle%20Operating%20Costs%202011.pdf>, accessed July 26, 2012.

[12] Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison%20of%20Annual%20Motor%20Vehicle%20Operating%20Costs%202011.pdf>, accessed July 26, 2012.

[13] Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison%20of%20Annual%20Motor%20Vehicle%20Operating%20Costs%202011.pdf>, accessed July 26, 2012.

[14] Idaho Transportation Department, "State-by-State Comparison of Annual Motor Vehicle Registration Fees and Fuel Taxes 2011," October 25, 2011. Available at <http://itd.idaho.gov/econ/MiscReports/Comparison%20of%20Annual%20Motor%20Vehicle%20Operating%20Costs%202011.pdf>, accessed July 26, 2012. National average based off of author's calculations.

[15] Clarence Mabin, "Patrol: Up to 14,000 drivers have registered cars out of state," *Lincoln Journal Star*, April 15, 2008. Available at [http://journalstar.com/news/local/article\\_404982ff-4f0c-587b-ba84-229ec2850124.html](http://journalstar.com/news/local/article_404982ff-4f0c-587b-ba84-229ec2850124.html), accessed July 26, 2012.

[16] Nebraska Revised Statute 60-3, 147. Available at <http://uniweb.legislature.ne.gov/laws/statutes.php?statute=60-3,147>, accessed July 26, 2012.

[17] Federal Highway Administration, "Highway Taxes and Fees 2008," January 1, 2008. Available at <http://www.fhwa.dot.gov/policyinformation/motorfuel/hwytaxes/2008/mv103pt1.cfm>, accessed July 26, 2012.

[18] Nebraska Department of Motor Vehicles, "2011 DMV Annual Report," April 2012. Available at [http://www.dmv.ne.gov/admin/pdf/2011\\_annual\\_report.pdf](http://www.dmv.ne.gov/admin/pdf/2011_annual_report.pdf), accessed August 6, 2012.

[19] Richard Hornbeck, "The Enduring Impact of the American Dust Bowl," Harvard University and National Bureau of Economic Research, November 2009. Available at

<http://www-personal.umich.edu/~baileymj/Hornbeck.pdf>, accessed August 6, 2012.

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[21] Nebraska Department of Motor Vehicles, "Registration Fees and Taxes," April 18, 2012. Available at [http://www.dmv.ne.gov/dvr/mvreg/fees\\_taxes.html](http://www.dmv.ne.gov/dvr/mvreg/fees_taxes.html), accessed July 27, 2012.



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