



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 25-1281: TITLE REGISTER & DRIVE KEI VEHICLES

Prime Sponsors:

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Fiscal note status: The revised fiscal note reflects the introduced bill, as amended by the House Transportation, Housing, and Local Government Committee and the House Finance Committee.

Summary Information

Overview. The bill adds kei vehicles to the definition of a motor vehicle, allows for the titling and registration of kei vehicles beginning July 2027, and creates a new Class B traffic infraction of driving kei vehicles on certain roadways or highways.

Types of impacts. The bill is projected to affect the following areas on a limited and an ongoing basis:

- State Revenue
- State Expenditures
- TABOR Refunds
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact ¹	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Revenue (Cash Funds)	\$0	\$0	\$24,555	\$68,150
State Expenditures (Cash Funds)	\$0	\$0	\$39,212	\$0
Transferred Funds	\$0	\$0	\$0	\$0
Change in TABOR Refunds	\$0	\$0	not estimated	not estimated
Change in State FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

¹ Fund sources for these impacts are shown in the table below.

Summary of Legislation

Kei vehicles are small, imported cars that are at least 25 years old and have a top speed of approximately 55 miles per hour (mph). Starting July 1, 2027, the bill adds kei vehicles to the definition of a motor vehicle, requiring them to be registered, titled, and to follow traffic laws. Kei vehicles are exempt from emissions testing requirements. The bill also prevents the Department of Revenue (DOR) and the Colorado State Patrol (CSP) from requiring additional inspections solely because a vehicle is a kei vehicle or from deeming them not roadworthy based on design alone.

The bill prohibits kei vehicles from operating on roads with speed limits above 55 mph or on limited-access highways. The bill creates a new class B traffic infraction of driving a kei vehicle on a road with speed limits above 55 mph or on a limited-access highway.

The bill defines “kei off-road vehicles” for titling purposes as separate from kei vehicles. Kei off-road vehicles are considered power-sports vehicles, must have been imported as an off-road vehicle, and must have a permanent speed limiter installed preventing them from exceeding 25 mph, among other specifications.

Background

Federal Regulations

The National Highway Traffic Safety Administration (NHTSA) ensures that vehicles meet minimum federal safety and equipment standards. Under federal law, any vehicle designed to exceed 20 mph is classified as a motor vehicle. However, NHTSA does not currently certify kei vehicles for road use because they do not meet these federal safety and equipment requirements.

The Imported Vehicle Safety Compliance Act of 1988 allows vehicles over 25 years old to be imported even if they do not meet NHTSA’s safety standards. These vehicles are classified as “classic” and are [exempt](#) from the federal safety regulations that apply to newer imported vehicles.

Imported kei vehicles that are over 21 years old and have their original engines are also [exempt](#) from current federal Environmental Protection Agency (EPA) motor vehicle emissions standards under the Clean Air Act.

Current Law

Under current state law, kei vehicles meet the definition of “off-highway vehicles,” which are vehicles that may not be used on public streets, road, and highways. Off-highway vehicles can be registered through Colorado Parks and Wildlife within the Department of Natural Resources and can receive a certificate of title for an off-highway vehicle through the DOR.

Comparable Crime Analysis

Legislative Council Staff is required to include certain information in the fiscal note for any bill that creates a new crime, changes the classification of an existing crime, or creates a new factual basis for an existing crime. The following section outlines crimes that are comparable to the offense in this bill and discusses assumptions on future rates of criminal convictions resulting from the bill.

Prior Conviction Data and Assumptions

This bill creates the new offense of driving a kei vehicle on a road with speed limits above 55 mph or on a limited-access highway, a class B traffic infraction. To form an estimate on the prevalence of this new crime, the fiscal note analyzed the existing offense of operating a class B low-speed electric vehicle on a highway or limited access highway as a comparable crime. From FY 2021-22 to FY 2023-24, one person, an Asian male, was convicted and sentenced for this existing offense. As a result, the fiscal note assumes that there will be minimal or no additional criminal case filings or convictions for this offense under the bill. Visit the [LCS website](#) for more information about criminal justice costs in fiscal notes.

Assumptions

The fiscal note assumes that:

- 500 kei vehicles will be newly titled and registered in FY 2027-28; and
- 1,000 kei vehicles will be newly titled and registered in FY 2028-29, and 500 kei vehicle registrations will be renewed.

State Revenue

The bill is expected to increase state cash fund revenue to the DOR by an estimated \$25,000 in FY 2027-28, \$68,000 in FY 2028-29, and similar amounts in future years. This revenue is subject to TABOR. Revenue impacts are shown in Table 2 and discussed below.

Table 2
State Revenue

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
DRIVES Cash Fund	\$0	\$0	\$2,150	\$4,850
License Plate Cash Fund	\$0	\$0	\$4,155	\$8,550
Highway User Tax Fund	\$0	\$0	\$17,000	\$51,000
AIR Account	\$0	\$0	\$250	\$750
EMS Account	\$0	\$0	\$1,000	\$3,000
Total State Revenue	\$0	\$0	\$24,555	\$68,150

Revenue from Vehicle Titling and Licensing

For each kei vehicle registered and titled, owners must pay a variety of fees which go to both the state and counties. In FY 2027-28 this amounts to:

- \$4.30 per vehicle to the DRIVES Cash Fund;
- \$8.31 per vehicle to the License Plate Cash Fund;
- \$34.00 per vehicle to the Highway Users Tax Fund (HUTF) (which is then distributed according to the amounts shown in Table 2A below);
- \$0.50 per vehicle to the AIR Account; and
- \$2.00 per vehicle to the Emergency Medical Services Account.

Fee revenue to counties and municipalities is described in the Local Government section below.

Highway Users Tax Fund Distributions

Of the HUTF revenue generated under this bill, 65 percent is credited to the State Highway Fund (SHF) for expenditure by the Department of Transportation (CDOT), 26 percent is credited to counties, and 9 percent is credited to municipalities. Table 2A outlines the estimated distribution of HUTF revenue generated under this bill.

Table 2A
HUTF Distributions
Department of Transportation and Local Governments

Fund Source	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
State Highway Fund (65 percent)	\$0	\$0	\$11,050	\$33,150
Counties (26 percent)	\$0	\$0	\$4,420	\$13,260
Municipalities (9 percent)	\$0	\$0	\$1,530	\$4,590
Total HUTF Distribution	\$0	\$0	\$17,000	\$51,000

Revenue from Traffic Infraction Penalties

The bill creates a new class B traffic infraction of driving a kei vehicle on a road with speed limits above 55 mph or on a limited-access highway. The penalty for a class B traffic infraction is a minimum fine of \$15, up to \$100 maximum. Based on the comparative crime analysis, the fiscal note assumes there will be very few convictions of this new traffic infraction and changes to fine revenue overall will be minimal.

State Expenditures

The bill increases state cash fund expenditures in the Department of Revenue by about \$39,000 in FY 2027-28. These costs are summarized in Table 3 and described below. Costs are paid from the DRIVES Cash Fund. Workload may also increase in the Judicial Department.

Table 3
State Expenditures
Department of Revenue

Cost Component	Budget Year FY 2025-26	Out Year FY 2026-27	Out Year FY 2027-28	Out Year FY 2028-29
DRIVES Programming	\$0	\$0	\$39,212	\$0
Total Costs	\$0	\$0	\$39,212	\$0
Total FTE	0.0 FTE	0.0 FTE	0.0 FTE	0.0 FTE

Department of Revenue

The DOR will have costs to perform computer system changes to allow for the registering and titling of kei vehicles and to add the new class B traffic infraction.

The department may need to produce some new vehicle identification number (VIN) tags for kei vehicles, but the costs for these new VIN tags is absorbable within existing resources.

DRIVES Programming

The Division of Motor Vehicles (DMV) in the DOR uses its Driver License, Record, Identification and Vehicle Enterprise Solution (DRIVES) information technology system for all driver license and motor vehicle transactions. The DOR will have costs to perform computer system changes in DRIVES to allow kei vehicles to be titled and registered and to add the new class B traffic infraction. In FY 2027-28, one-time programming costs of \$39,212 are required to update the DRIVES system. Programming costs assume 116 hours at a rate of \$262 per hour for a total cost of \$27,248. Testing is estimated to require 147 hours between \$32 and \$35 per hour for a total cost of \$4,420. Office of Information Technology (OIT) support requirements are estimated at 39 hours at a rate of \$99 per hour, which will be allocated to the DOR and paid to OIT via real time billing. These costs will be paid from the DRIVES Cash Fund.

Judicial Department

There may be a small increase in traffic infraction filings in trial courts for the new Class B traffic infraction. Any additional workload can be managed within existing resources.

TABOR Refunds

The bill may increase the amount of state revenue required to be refunded to taxpayers. A forecast of state revenue subject to TABOR is not available beyond FY 2026-27. Because TABOR refunds are paid from the General Fund, increased cash fund revenue will reduce the amount of General Fund available to spend or save.

Local Government

The bill is expected to increase county revenue by \$13.14 per kei vehicle titled and registered for an approximate total of \$7,000 in FY 2027-28 and \$18,000 in FY 2028-29 through the titling and registration fees on kei vehicles. This bill will also increase local government HUTF revenue by the amounts shown in Table 2A above. HUTF revenue from motor vehicle registration fees is partly distributed to counties (26 percent) and municipalities (9 percent) for transportation needs. Finally, there will be a slight increase in administrative costs to counties to update vehicle registration systems and public communication materials.

Technical Note

DRIVES Cash Fund Solvency

The fiscal note assumes that increased costs to the DOR for the bill will be paid from the DRIVES Cash Fund, and that the DOR will raise fees as necessary to ensure that it has sufficient funds to pay for program expenses. However, the DOR reports that recent cash fund consolidations have placed the fund above the allowable statutory reserve and it is unable to raise fees currently. At the same time, current spending from the fund is projected to deplete the available fund balance within the next two years. If the DOR is unable or unwilling to raise fees, the General Fund may be required, either in this bill or through the annual budget process, to ensure cash fund solvency.

Effective Date

The bill takes effect on July 1, 2027, with applications for licensure and offenses committed taking effect on or after January 1, 2028.

State and Local Government Contacts

Counties
District Attorneys
Information Technology
Judicial
Law
Local Affairs

Municipalities
Public Health and Environment
Public Safety
Revenue
Sheriffs
Transportation