

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1270-02
Bill No.: SB 456
Subject: Bonds-Surety; Business and Commerce; Insurance - Automobile; Motor Vehicles;
 Revenue Department
Type: Original
Date: March 3, 2015

Bill Summary: This proposal modifies provisions relating to the ownership of motor vehicles.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on General Revenue	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Highway Fund	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any Of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2016	FY 2017	FY 2018
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Oversight was unable to receive some of the agency responses in a timely manner due to the short fiscal note request time. Oversight has presented this fiscal note on the best current information that we have or on prior year information regarding a similar bill. Upon the receipt of agency responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval of the chairperson of the Joint Committee on Legislative Research to publish a new fiscal note.

Oversight did not receive a response from the Department of Revenue, however, Oversight assumes the DOR could incur additional administrative cost for programming, mailing, postage and possible website updates as a result of this proposal. Oversight will reflect an unknown cost to the General Revenue Fund.

Oversight also assumes this proposal would allow registration of motor vehicles or trailers to occur up to 30 days after receiving title from the dealer without incurring the \$25 delinquency penalty fee (301.190.5). Current statutes require registration within 30 days, regardless of when the title is received from the dealer. Therefore, Oversight will assume this will result in a reduction of delinquency penalty fee collections into the Highway Fund.

Officials from the **Office of the State Courts Administrator** and the **Department of Insurance, Financial Institutions and Professional Registration** each assume the proposal will have no fiscal impact on their respective organizations.

<u>FISCAL IMPACT - State Government</u>	FY 2016 (10 Mo.)	FY 2017	FY 2018
GENERAL REVENUE			
<u>Cost - DOR</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Administrative Cost			
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2016	FY 2017	FY 2018
(continued)	(10 Mo.)		

HIGHWAY FUND

<u>Loss - DOR</u>	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Reduction in \$25 delinquency penalty fees			

ESTIMATED NET EFFECT TO THE HIGHWAY FUND	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2016	FY 2017	FY 2018
	(10 Mo.)		
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small business dealers may be impacted by this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to the ownership of motor vehicles.

Currently, the operation of a motor vehicle with transferred license plates is lawful for 30 days. Under this act, it is lawful for 60 days.

Currently, the Director of the Department of Revenue or a motor vehicle dealer may issue a temporary permit authorizing the operation of a motor vehicle or trailer by a buyer for not more than 30 days. Under this act, the temporary permit authorizes operation for not more than 60 days.

Currently, a person acquiring a motor vehicle is required to apply for a certificate of ownership within 30 days of acquiring the vehicle. Under this act, the person is not required to apply for a certificate of ownership within 30 days if they have acquired the vehicle from a motor vehicle dealer prior to the dealer having a certificate of ownership, under which they have 30 days after receiving title from the dealer to apply for a certificate of ownership.

FISCAL DESCRIPTION (continued)

Currently, motor vehicle dealers are authorized to purchase or accept in trade any motor vehicle for which there has been issued a certificate of title. This act modifies this to any vehicle for which there has been issued a certificate of ownership. Once the vehicle has been delivered to the dealer, the prior owners' insurable interest in such vehicle ceases. This act specifies that such dealers provide to the Department of Revenue a surety bond or irrevocable letter of credit in an amount not less than \$100,000 in lieu of the \$25,000 bond otherwise required for licensure as a motor vehicle dealer.

If a dealer receives certain items, they may sell such vehicle prior to receiving and assigning to the purchaser a certificate of ownership. In order to do so, they have to have prepared and delivered to the purchaser an application for title for the vehicle in the purchaser's name, and have entered into a written agreement for the subsequent assignment and delivery of the certificate of ownership within 60 days after delivery of the motor vehicle to the purchaser.

The agreement shall require the purchaser to provide to the dealer proof of financial responsibility and proof of insurance. The dealer shall maintain a copy of the agreement, and shall deliver a form to the Department of Revenue showing that the purchaser has purchased the vehicle without contemporaneous delivery of the title. If these requirements are met, among others, they shall constitute evidence of an ownership interest in the vehicle.

Currently, following a sale in which a certificate of ownership has not been assigned from the owner to the dealer, the dealer shall apply for a duplicate or replacement certificate of ownership within 5 business days. This act modifies this requirement to 10 business days.

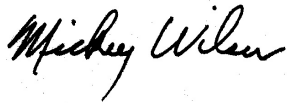
If the dealer fails or is unable to deliver a certificate of ownership to the purchaser, and the purchaser of the vehicle is damaged, the dealer is liable for actual damages, plus court costs and attorney fees. If a seller misrepresents to a dealer that they are the owner of the vehicle, and certain parties are damaged as a result, the seller shall be liable to the party for both actual and punitive damages, plus court costs and attorney fees. When a lienholder is damaged as a direct result of a licensed dealer's violation of this act, the dealer shall also be liable for actual damages, plus court costs and attorney fees. The Department of Revenue may use a dealer's repeated or intentional violation of this act as a cause to refuse to issue or renew any license. The hearing process shall be the same as currently established for suspended or revoked licenses.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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SOURCES OF INFORMATION

Office of the State Courts Administrator
Department of Insurance, Financial Institutions and Professional Registration



Mickey Wilson, CPA
Director
March 3, 2015

Ross Strobe
Assistant Director
March 3, 2015