

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1270-03
Bill No.: SCS for SB 456
Subject: Bonds-Surety; Business and Commerce; Insurance - Automobile; Motor Vehicles;
 Revenue Department
Type: Original
Date: March 24, 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	(\$55,070)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$55,070)	\$0	\$0

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 Other State Funds	(Unknown)	(Unknown)	(Unknown)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 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

Due to time constraints, **Oversight** prepared the fiscal note for the original bill without agency responses, and reflected an Unknown cost to the General Revenue Fund for this program. Oversight has since received responses from the impacted agencies and has incorporated their estimates into this fiscal note.

Section 301.140

Officials from the **Department of Revenue (DOR)** assume this proposal extends the time period to ninety days for the use of temporary transferred license plates and temporary permits issued by dealers to any person purchasing a vehicle that falls under the provisions of the proposed section 301.213.

Section 301.190

DOR officials state a person is not required to apply for a certificate of ownership within thirty days if they have acquired the vehicle from a motor vehicle dealer prior to the dealer having a certificate of ownership. The buyer will have thirty days after receiving title from the dealer to apply for a certificate of ownership pursuant to the proposed section 301.213.

Delinquent fee provisions are not to apply to a vehicle purchased under the proposed section 301.213, until thirty days after receiving the title from the dealer.

Section 301.213

DOR assumes this section modifies provisions from Section 407.581, RSMo. A dealer may sell a vehicle prior to receiving the certificate of ownership if such dealer has filed at least a \$100,000 bond with the Department of Revenue. If the dealer chooses to sell the vehicle prior to receiving the certificate of ownership the dealer must provide the purchaser an application for title in the purchaser's name, and have entered into a written agreement for the delivery of the certificate of ownership within sixty days. The purchaser is required to provide the dealer proof of financial responsibility and proof of comprehensive insurance with collision coverage. The dealer shall maintain a copy of this agreement.

The purchaser may use the dealer-supplied copy of the agreement to transfer his or her ownership of the vehicle to an insurance company in situations where the vehicle has been declared salvage or a total-loss by the insurance company as a result of a settlement of a claim.

ASSUMPTION (continued)

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.

Administrative Impact

DOR would allow dealerships with a \$100,000 bond to issue temporary permits for 30 or 90-days. Dealerships with a \$25,000 bond will only be able to issue 30-day temporary permits.

- Procedures will need to be revised by a Management Analyst Specialist I requiring 40 hours at a cost of \$890 in FY 2016.
- The Titling Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Dealer Manual will need to be revised. This will require 40 hours for a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- Development of a form required under section 301.213.3(5) by a Management Analyst Specialist I, at a cost of \$890 in FY 2016.
- The Department's website will need to be updated. This will require 10 hours for an Administrative Analyst III, at a cost of \$240 in FY 2016.
- MVB user acceptance testing for identified systems. This will require 120 hours by a Management Analyst Specialist I at a cost of \$2,670 in FY 2016.
- Send out a Titling Tips publication to update licensed Missouri dealers and title services of the change. There will be no additional cost for this.
- OA-ITSD cost of \$48,600 to update existing software to accommodate the changes.

ASSUMPTION (continued)

There are no statistics available to determine exactly how many additional contact and e-mails the Department will receive as a result of this legislation. If the volume is significant enough that it cannot be absorbed by existing staff, additional FTE(s) will be requested through the appropriation process.

In summary, DOR assumes a cost of \$55,070 (\$890 + \$890 + \$890 + \$890 + \$240 + \$2,670 + \$48,600) in FY 2016 to provide for the implementation of the changes in this proposal.

Revenue Impact

DOR assumes this proposal extends the time period to 90-days for the use of transferred license plates or temporary permits issued by dealers for any person purchasing a vehicle that falls under the proposed provisions of 301.213. This change may reduce the amount of title penalties the Department will collect.

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>(\$55,070)</u>	<u>\$0</u>	<u>\$0</u>
Administrative Cost			
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$55,070)</u>	<u>\$0</u>	<u>\$0</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 title 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.

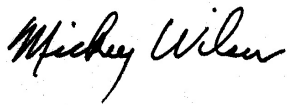
If the dealer fails or is unable to deliver a certificate of ownership to the purchaser, and the purchaser of the vehicle is damaged, the dealer is liable for actual damages, plus court costs and attorney fees. If a seller misrepresents to a dealer that they are the owner of the vehicle, and certain 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
Department of Revenue



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March 24, 2015

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Assistant Director
March 24, 2015