

BILL ANALYSIS

C.S.H.B. 718
By: Goldman
Transportation
Committee Report (Substituted)

BACKGROUND AND PURPOSE

The current temporary paper license plate system in Texas has provided criminals an easy way to disguise vehicles, avoid prosecution, and inflate a public safety problem in Texas. NBC News and CBS News report that the use of fraudulent paper license plates has resulted in the death of law enforcement, enabled drug cartels and human smugglers to avoid law enforcement, and created a more than \$200 million black market industry in Texas. Even with a recent redesign by the Texas Department of Motor Vehicles, which includes new security features, concerns remain as to the efficacy of these features in curtailing this illegal activity. By joining other states that do not issue temporary paper license plates, Texas law enforcement will be able to competitively address the amount of fraud and public safety impacts attributed to these tags. C.S.H.B. 718 seeks to address these issues by eliminating paper license plates in Texas.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the Texas Department of Motor Vehicles in SECTIONS 12 and 26 of this bill.

ANALYSIS

C.S.H.B. 718 amends the Transportation Code to remove provisions authorizing a vehicle dealer or converter to issue a temporary tag for a vehicle. Accordingly, the bill requires a motor vehicle dealer to issue to a person who buys a vehicle from the dealer a license plate or set of license plates under the bill's provisions. A license plate or set of plates is valid for the operation of the vehicle while the registration application submitted by the dealer on behalf of the buyer is pending. The bill also removes provisions relating to the issuance of temporary buyer's out-of-state license plates and of the following temporary permits:

- a permit for a nonresident-owned vehicle used to transport farm products;
- an annual permit issued in lieu of registration to certain foreign commercial motor vehicles, trailers, or semitrailers;
- a temporary 72-hour or 144-hour registration permit;
- a temporary one-trip or 30-day permit; and
- a temporary transit permit for a purchased vehicle.

C.S.H.B. 718 eliminates the buyer's temporary tag database and requires the Texas Department of Motor Vehicles (TxDMV) instead to develop, manage, and maintain a secure, real-time database usable by a law enforcement agency to monitor dealer-issued license plates and to obtain information about a person to whom such a license plate was issued. The bill requires a dealer, before issuing dealer-issued license plates or a set of plates, to complete and sign a form

prescribed by TxDMV stating that the dealer entered certain buyer's information into the database. In addition, with respect to that form:

- the form must contain a notice to the buyer describing the procedure by which the vehicle's registration insignia will be provided to the buyer;
- the buyer must keep the original copy of the form in the vehicle until the vehicle is registered to the buyer; and
- the dealer must issue to the buyer the completed and signed form.

C.S.H.B. 718 provides that the dealer is responsible for displaying the license plate or set of plates in compliance with TxDMV rules. In addition, the bill provides the following:

- the dealer must obtain the license plate or set of plates from TxDMV in a manner provided by TxDMV rules;
- the dealer is responsible for the safekeeping and distribution of each license plate or set of license plates the dealer obtains from TxDMV;
- the dealer must charge the buyer a registration fee prescribed by TxDMV; and
- a dealer may not issue a license plate or set of plates for a vehicle that is exempt from payment of registration fees until TxDMV approves the application for registration of the vehicle.

TxDMV must ensure that the dealer may obtain a sufficient amount of plates to continue selling vehicles without an unreasonable disruption of business due to the unavailability of license plates and must establish an expedited procedure to allow the dealer to obtain additional license plates or sets of license plates to remain in business.

C.S.H.B. 718 authorizes TxDMV by rule to establish and monitor the maximum number of dealer-issued license plates or sets of plates that a dealer may obtain in a calendar year. The maximum number of plates must be based on the dealer's anticipated need for license plates, taking into consideration the following:

- the dealer's time in operation, sales data, and expected growth;
- expected changes in the dealer's market;
- temporary conditions that may affect the dealer's sales; and
- any other information TxDMV considers relevant.

The bill authorizes TxDMV, at the request of a dealer, to authorize additional license plates if the dealer demonstrates a need for the plates resulting from business operations. A denial of the request may be overturned if a dealer shows by a preponderance of the evidence the need for additional license plates.

C.S.H.B. 718 authorizes TxDMV to deny a dealer's access to the database of dealer-issued license plates, after giving notice electronically or by certified mail to a dealer, if TxDMV determines that the dealer is fraudulently obtaining license plates or fraudulently using the database of license plates. A dealer denied access to the database may request a hearing on the denial as provided by applicable law.

C.S.H.B. 718 prohibits a person from operating a vehicle that displays a dealer-issued license plate or set of plates in violation of provisions relating to dealer's and manufacturer's vehicle license plates and to the registration of vehicles. The bill prohibits a person from selling or distributing a dealer-issued license plate or set of plates, or an item represented to be such a plate or set of plates, unless the person is a dealer issuing the license plate or set of plates in connection with the sale of a vehicle.

C.S.H.B. 718 requires TxDMV, not later than March 1, 2024, to adopt rules necessary to implement the bill's provisions and to create the dealer-issued license plate database. These requirements take effect September 1, 2023.

C.S.H.B. 718 applies only to an offense committed on or after March 1, 2025. The bill provides for the continuation of the law in effect before the bill's effective date for purposes of an offense, or any element thereof, that occurred before that date.

C.S.H.B. 718 amends the Government Code to make a conforming change.

C.S.H.B. 718 repeals the following provisions of the Transportation Code:

- Sections 502.092, 502.093, 502.094, and 502.095;
- Sections 502.474, 502.476, and 502.477;
- Section 502.492;
- Sections 503.062, 503.0625, 503.0626, and 503.0632;
- Sections 503.065, 503.067, and 503.068(a); and
- Section 503.094(d).

EFFECTIVE DATE

Except as otherwise provided, March 1, 2025.

COMPARISON OF INTRODUCED AND SUBSTITUTE

While C.S.H.B. 718 may differ from the introduced in minor or nonsubstantive ways, the following summarizes the substantial differences between the introduced and committee substitute versions of the bill.

The substitute includes a provision absent from the introduced repealing provisions relating to the following:

- the issuance of certain temporary permits and temporary buyer's out-of-state license plates;
- the issuance of dealer's and converter's temporary tags; and
- a dealer's and converter's temporary tag database.

The substitute includes revisions of the introduced's provisions, and includes provisions absent from the introduced, that conform to the repeal of these provisions.

The substitute omits an authorization present in the introduced for TxDMV to cancel a dealer's general distinguishing number if the dealer misuses or allows the misuse of a dealer-issued license plate or set of plates.

The introduced authorized TxDMV, upon determining that a dealer is fraudulently using dealer-issued license plates or the associated database, to deny access to the database to the dealer. However, the substitute changes the requisite determination for such a denial to a determination that a dealer is fraudulently using the database. The substitute does not condition the denial of access to the database on a determination that a dealer is fraudulently using dealer-issued licensed plates as the introduced did.

The substitute includes a provision absent from the introduced establishing that the bill's provisions, to the extent of any conflict, prevail over another Act of the 88th Legislature, Regular Session, 2023, relating to nonsubstantive additions to and corrections in enacted codes.