

BILL ANALYSIS

Senate Research Center
88R30229 BEE-D

C.S.H.B. 718
By: Goldman et al. (West)
Transportation
5/19/2023
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

C.S.H.B. 718 amends current law relating to the issuance of certain tags, permits, and license plates authorizing the movement of vehicles.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Department of Transportation in SECTION 16 (Section 503.0633, Transportation Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends the heading to Section 152.027, Tax Code, to read as follows:

Sec. 152.027. TAX ON DEALER PLATES.

SECTION 2. Amends Section 152.027(a), Tax Code, as follows:

(a) Provides that a use tax is imposed on each person to whom is issued a dealer's plate under Section 503.061 (Dealer's License Plates) or 503.0615 (Personalized Prestige Dealer's License Plates), rather than a metal dealer's plate authorized by Chapter 503 (Dealer's and Manufacturer's Vehicle License Plates), Transportation Code.

SECTION 3. Amends Section 501.0041, Transportation Code, by adding Subsection (c), as follows:

(c) Requires that an application form for title and registration of a motor vehicle:

(1) include an option for the applicant to transfer license plates from another motor vehicle to the vehicle that is the subject of the application in accordance with Section 504.901(a) (relating to requiring the dealer, on the sale or transfer of a motor vehicle to a dealer who holds a general distinguishing number issued under Chapter 503, to remove each license plate issued for the motor vehicle); and

(2) allow the applicant to attach to the application the appropriate form necessary for the transfer of the license plates.

SECTION 4. Amends Section 501.022(d), Transportation Code, as follows:

(d) Deletes existing text providing that Subsection (c) does not apply to a motor vehicle operated on a public highway in this state with a metal dealer's license plate or a dealer's or buyer's temporary tag attached to the vehicle as provided by Chapter 503.

SECTION 5. Amends Sections 501.0236(b) and (d), Transportation Code, as follows:

(b) Deletes existing text authorizing a purchaser to whom Section 501.0236 (Issuance of Title and Permits When Dealer Goes Out of Business) applies to apply for, on expiration of the buyer's tag issued to the purchaser under Section 503.063 (Buyer's Temporary Tags), a 30-day permit under Section 502.095.

(d) Deletes existing text requiring the Texas Department of Motor Vehicles (TxDMV) to waive the payment of fees for one 30-day permit issued to a purchaser described by this section.

Makes nonsubstantive changes.

SECTION 6. Amends Section 502.095, Transportation Code, as follows:

Sec. 502.095. New heading: ONE-TRIP OR 30-DAY TRIP LICENSE PLATES. (a) Authorizes TxDMV to issue a temporary metal license plate, rather than a temporary permit, in lieu of registration for a vehicle subject to registration in this state that is not authorized to travel on a public highway because of the lack of registration in this state or the lack of reciprocity with the state or country in which the vehicle is registered.

(b)-(d) Refers to "permit" rather than "license plate." Makes nonsubstantive changes.

(e) Authorizes a person to obtain a license plate, rather than permit, under this section by paying a fee, in the manner prescribed by the department including a registration service charge for a credit card payment or escrow account of \$5 for a one-trip license plate, rather than one-trip permit, or \$25 for each 30-day license plate, rather than 30-day period.

(f) Requires TxDMV to prepare the design and specifications of a license plate issued under this section. Requires that the license plate contain all pertinent information required by this section and be displayed as prescribed by TxDMV rule.

Deletes existing text requiring that a registration receipt be carried in the vehicle at all times during the period in which it is valid. Deletes existing text requiring that the temporary tag contain all pertinent information required by this section and be displayed in the rear window of the vehicle so that the tag is clearly visible and legible when viewed from the rear of the vehicle. Deletes existing text requiring the temporary tag, if the vehicle does not have a rear window, to be attached on or carried in the vehicle to allow ready inspection.

(g) Authorizes TxDMV to refuse and to instruct a county assessor-collector to refuse to issue a license plate, rather than a temporary registration, for any vehicle if, in TxDMV's opinion, the vehicle or the owner of the vehicle has been involved in operations that constitute an abuse of the privilege granted by this section. Provides that a license plate issued, rather than registration issued, after notice to a county assessor-collector under this subsection is void.

SECTION 7. Amends Section 502.410(b), Transportation Code, as follows:

(b) Deletes existing text providing that Subsection (a) (relating to providing that a person commits an offense if the person knowingly provides false or incorrect information or without legal authority signs the name of another person on a statement or application) does not apply to a statement or application filed or given under Section 502.092 (Nonresident-Owned Vehicles Used to Transport Farm Products).

SECTION 8. Amends Section 503.008(a), Transportation Code, to delete existing text providing that the fee for a metal dealer's license plate is \$20 a year.

SECTION 9. Amends Sections 503.038(a) and (c), Transportation Code, as follows:

(a) Deletes existing text authorizing TxDMV to cancel a dealer's general distinguishing number if the dealer uses or permits the use of a dealer's metal dealer's license plate or a dealer's temporary tag on a vehicle that the dealer does not own or control or that is not in

stock and offered for sale, misuses or allows the misuse of a temporary tag authorized under Chapter 503, or refuses to show on a buyer's temporary tag the date of sale or other reasonable information required by TxDMV. Makes nonsubstantive changes.

(c) Makes conforming changes to this subsection.

SECTION 10. Amends the heading to Subchapter C; Chapter 503, Transportation Code, to read as follows:

SUBCHAPTER C. LICENSE PLATES

SECTION 11. Amends Section 503.061, Transportation Code, by amending Subsection (a) and adding Subsection (c), as follows:

(a) Deletes existing text authorizing the dealer, instead of registering under Chapter 502 (Registration of Vehicles) a vehicle that the dealer owns, operates, or permits to be operated on a public street or highway, to apply for, receive, and attach metal dealer's license plates to the vehicle if it is a certain type of vehicle.

(c) Requires that a rule adopted under Subsection (b) (relating to authorizing the board of TxDMV to adopt rules regulating the issuance and use of a license plate issued pursuant to the terms of this section) provide for TxDMV to design and make available to dealers under Subsection (a) a dealer's demonstration license plate for use on an unregistered vehicle by the dealer or the dealer's employees only to demonstrate or cause to be demonstrated to a prospective buyer the vehicle for sale purposes only.

SECTION 12. Amends Sections 503.0618(b) and (c), Transportation Code, to make conforming changes.

SECTION 13. Amends Section 503.063, Transportation Code, as follows:

Sec. 503.063. New heading: DEALER-ISSUED LICENSE PLATES FOR BUYER. (a) Requires a dealer, except as provided by this section, to issue to a person who buys a vehicle:

(1) a license plate or set of license plates, if a license plate is required by law to be displayed on the vehicle; and

(2) a completed and signed form required by, as applicable, Section 503.0631(c) (relating to requiring a dealer to enter into the database information about the buyer of the vehicle for which the tag was issued) or (d) (relating to requiring a dealer to obtain 24-hour Internet access at its place of business or to complete and sign a form that states the dealer has Internet access, but was unable to access the Internet at the time of sale). Makes conforming changes.

(b) Provides that a license plate or set of license plates issued under this section is valid for the operation of the vehicle while the registration application submitted by the dealer on behalf of the buyer under Section 501.0234 (Duty of Vehicle Dealer on Sale of Certain Vehicles) is pending. Deletes existing text providing that the buyer's tag, except as provided by this section, is valid for the operation of the vehicle until the earlier of the date on which the vehicle is registered or the 60th day after the date of purchase.

(c) Provides that the dealer, at the time of issuance of a license plate or set of license plates under this section, except as otherwise provided by this subsection, is responsible for displaying the license plate or set of license plates in compliance with TxDMV rules regarding the placement of license plates. Requires the dealer, if a vehicle is a passenger car or light truck that is not equipped by the manufacturer with an exterior front feature to which a license plate may be fastened without drilling through the exterior of the vehicle, to affix

the rear license plate in compliance with TxDMV rules and provide the unmounted remaining license plate to the vehicle buyer. Deletes existing text requiring the dealer to show in ink on the buyer's tag the actual date of sale and any other required information.

(d) Provides that the dealer is responsible for the safekeeping and distribution of each license plate or set of license plates, rather than each buyer's tag, the dealer obtains from TxDMV.

(e) Requires a dealer to obtain license plates and sets of license plates from TxDMV in the manner provided by TxDMV rules. Deletes existing text prohibiting TxDMV from issuing a buyer's tag or contract for the issuance of a buyer's tag but is required to prescribe the specifications, color, and form of a buyer's tag and procedures for a dealer to generate a vehicle-specific number using the database developed under Section 503.0631 and assign it to each tag, generate a vehicle-specific number using the database developed under Section 503.0631 for future use for when a dealer is unable to access the Internet at the time of sale, and clearly display the vehicle-specific number on the tag.

(f) Requires TxDMV to ensure that a dealer is authorized to obtain in advance a sufficient amount of license plates or sets of license plates in order to continue selling vehicles without an unreasonable disruption of business due to the unavailability of license plates. Requires TxDMV to establish an expedited procedure to allow a dealer to obtain additional license plates or sets of license plates so the dealer may remain in business. Deletes existing text requiring TxDMV to ensure that a dealer is authorized to generate in advance a sufficient amount of vehicle-specific numbers under Subsection (e)(2)(B) in order to continue selling vehicles for a period of up to one week in which a dealer is unable to access the Internet due to an emergency. Deletes existing text requiring TxDMV to establish an expedited procedure to allow affected dealers to apply for additional vehicle-specific numbers so they may remain in business during an emergency.

(g) Requires the dealer, for each license plate or set of license plates issued to a buyer under this section, to charge the buyer a registration fee prescribed by TxDMV to be sent to the Comptroller of Public Accounts of the State of Texas (comptroller) for deposit to the credit of the TxDMV fund. Deletes existing text requiring a dealer, for each buyer's temporary tag, to charge the buyer a registration fee of not more than \$5 as prescribed by TxDMV to be sent to the comptroller for deposit to the credit of the TxDMV fund.

(h) Provides that a governmental agency that issues a license plate or set of license plates under this subsection is subject to the provisions of a certain section applicable to a dealer. Deletes existing text providing that a governmental agency that issues temporary buyer's tag under this subsection is subject to the provisions of Section 503.067 (Unauthorized Reproduction, Purchase, Use, or Sale of Temporary Tags) applicable to a dealer.

(i) Authorizes a vehicle to be issued and display a license plate in the manner provided by Section 503.065 (Buyer's Out-of-State License Plates) for out-of-state license plates, rather than a buyer's tag, without satisfying the inspection requirements of a certain chapter if certain criteria are met.

(j) Makes a conforming change to this subsection.

(k) Prohibits a dealer from issuing a license plate or set of license plates for a vehicle that is exempt from the payment of registration fees under Subchapter J (Registrations Exempt from Fees), Chapter 502, until TxDMV approves the application for registration of the vehicle.

SECTION 14. Amends the heading to Section 503.0631, Transportation Code, to read as follows:

Sec. 503.0631. DATABASE OF DEALER-ISSUED LICENSE PLATES.

SECTION 15. Amends Section 503.0631, Transportation Code, by amending Subsections (a), (b), (c), and (d) and adding Subsections (c-1), (d-1), and (d-2), as follows:

(a) Requires TxDMV to develop, manage, and maintain a secure, real-time database of information on buyers, rather than persons, to whom dealers issue a license plate or set of license plates under Section 503.063 or 503.065 that are authorized to be used by a law enforcement agency in the same manner that the agency uses vehicle registration information. Makes a conforming change.

(b) Requires that the database allow law enforcement agencies to use the information required to be included on a license plate, rather than a vehicle-specific number assigned to and displayed on the tag as required by Section 503.063(e)(2) (relating to requiring TxDMV to prescribe procedures for a dealer to generate a vehicle-specific number using the database), to obtain information about the person to whom the license plate, rather than tag, was issued.

(c) Authorizes a dealer, except as provided by Subsection (d), before a license plate or set of license plates issued under Section 503.063 or 503.065 are authorized to be displayed on a vehicle, as prescribed by TxDMV, to:

(1) enter into the database through the Internet information about the buyer of the vehicle for which the license plate or set of license plates was issued; and

(2) complete and sign a form prescribed by TxDMV stating that the dealer entered the buyer's information into the database as required by Subdivision (1). Makes conforming and nonsubstantive changes.

(c-1) Creates an exception under Section 503.0633(f), rather than Section 506.0632(f).

(d) Requires a dealer to obtain 24-hour Internet access at its place of business, but if the dealer is unable to access the Internet at the time of the sale of a vehicle, the dealer is required to complete and sign a form, as prescribed by TxDMV, that states the dealer has Internet access, but was unable to access the Internet at the time of sale to enter the buyer's information into the database as required by Subsection (c). Deletes existing text requiring the buyer to keep the original copy of the form in the vehicle until the vehicle is registered to the buyer.

(d-1) Requires that the forms prescribed by TxDMV under Subsections (c) and (d) contain a notice to the buyer describing the procedure by which the vehicle's registration insignia will be provided to the buyer.

(d-2) Requires the buyer, until a vehicle displaying a license plate or set of license plates issued under Section 503.063 is registered to the buyer, to keep in the vehicle the original copy of the form provided by the dealer as required by, as applicable, Subsection (c) or (d).

SECTION 16. Amends Subchapter C, Chapter 503, Transportation Code, by adding Section 503.0633, as follows:

Sec. 503.0633. DEPARTMENT REGULATION OF DEALER-ISSUED LICENSE PLATES AND ACCESS TO DATABASE OF DEALER-ISSUED LICENSE PLATES.

(a) Authorizes TxDMV by rule to establish the maximum number of license plates or sets of license plates that a dealer is authorized to obtain in a calendar year under Sections 503.063 and 503.065.

(b) Requires that the maximum number of license plates or sets of license plates that TxDMV determines a dealer is authorized to obtain under this section be based on the dealer's anticipated need for license plates and sets of license plates, taking into consideration:

(1) the dealer's:

(A) time in operation;

(B) sales data; and

(C) expected growth;

(2) expected changes in the dealer's market;

(3) temporary conditions that may affect sales by the dealer; and

(4) any other information TxDMV considers relevant.

(c) Authorizes TxDMV, at the request of a dealer, to authorize additional license plates or sets of license plates for the dealer if the dealer demonstrates a need for additional license plates or sets of license plates resulting from business operations, including anticipated need.

(d) Authorizes TxDMV's denial of a request under Subsection (c) to be overturned if a dealer shows by a preponderance of the evidence the need for additional license plates or sets of license plates.

(e) Requires TxDMV to monitor the number of license plates and sets of license plates obtained by a dealer.

(f) Authorizes TxDMV, if TxDMV determines that a dealer is fraudulently obtaining license plates or sets of license plates or fraudulently using the database of dealer-issued license plates, after giving notice electronically and by certified mail to the dealer, to deny access to the database of dealer-issued license plates to the dealer. Authorizes a dealer denied access to the database of dealer-issued license plates under this subsection to request a hearing on the denial as provided by Subchapter O (Hearings Procedures), Chapter 2301, Occupations Code.

SECTION 17. Amends Sections 503.065(a), (b), (c), (d), and (e), Transportation Code, as follows:

(a) Authorizes TxDMV to issue or cause to be issued to a person a temporary metal license plate authorizing the person to operate a new unregistered vehicle on a public highway of this state if the person meets certain criteria.

(b) Prohibits TxDMV from issuing a license plate, rather than a temporary license plate, under Section 503.065 to a manufacturer or dealer of a motor vehicle, trailer, or semitrailer or to a representative of such a dealer.

(c) Makes a conforming change to this subsection.

(d) Provides that a license plate, rather than a temporary license plate, issued under this section expires on the 60th day, rather than not later than the 30th day, after the date on which it is issued.

(e) Makes a conforming change to this subsection.

SECTION 18. Amends Section 503.066(d), Transportation Code, to provide that a license plate, rather than a metal license plate, issued under Sections 503.061. 503.062 (Dealer's Temporary

Tags), or 503.064 (Manufacturer's License Plates), rather than under this chapter, expires on the same date as the license under which it is issued.

SECTION 19. Amends Subchapter C, Chapter 503, Transportation Code, by adding Section 503.0671, as follows:

Sec. 503.0671. UNAUTHORIZED USE OR DISTRIBUTION OF DEALER-ISSUED LICENSE PLATE. (a) Prohibits a person from operating in violation of this chapter or Chapter 502 a vehicle that displays a dealer-issued license plate or set of license plates.

(b) Prohibits a person from selling or distributing a dealer-issued license plate or set of license plates or an item represented to be a dealer-issued license plate or set of license plates unless the person is a dealer issuing the license plate or set of license plates in connection with the sale of a vehicle.

SECTION 20. Amends the heading to Section 503.068, Transportation Code, to read as follows:

Sec. 503.068. LIMITATION ON USE OF DEALER'S LICENSE PLATES.

SECTION 21. Amends Sections 503.068(b), (c), and (d), Transportation Code, as follows:

(b)-(d) Makes conforming changes to these subsections.

SECTION 22. Amends the heading to Section 503.069, Transportation Code, to read as follows:

Sec. 503.069. DISPLAY OF LICENSE PLATES.

SECTION 23. Amends Section 503.069(a), Transportation Code, to make a conforming change.

SECTION 24. Amends Subchapter A, Chapter 520, Transportation Code, by adding Section 520.0055, as follows:

Sec. 520.0055. DUTIES OF MOTOR VEHICLE DEALERS. Requires a motor vehicle dealer to use the electronic system designed by TxDMV and made available by a county assessor-collector under Section 520.005 (Duties and Responsibilities) to submit a title and registration application in the name of the purchaser of a motor vehicle.

SECTION 25. Amends Section 548.052, Transportation Code, as follows:

Sec. 548.052. VEHICLES NOT SUBJECT TO INSPECTION. Deletes existing text providing that Chapter 548 (Compulsory Inspection of Vehicles) does not apply to a vehicle moving under or bearing a paper dealer in-transit tag.

SECTION 26. Amends Section 601.002(12), Transportation Code, to redefine "vehicle registration."

SECTION 27. Repealer: Section 502.092 (Nonresident-Owned Vehicles Used to Transport Farm Products), Transportation Code.

Repealers: Sections 502.477 (Nonresident-Owned Vehicles Used to Transport Agricultural Products; Offense) and Section 503.062 (Dealer's Temporary Tags), Transportation Code.

Repealers: Sections 503.0625 (Converter's Temporary Tags) and 503.0626 (Dealer's and Converter's Temporary Tag Database), Transportation Code.

Repealers: Sections 503.0632 (Department Regulation of Temporary Tags and Access to Temporary Tag Databases) and 503.067 (Unauthorized Reproduction, Purchase, Use, or Sale of Temporary Tags), Transportation Code.

Repealers: Sections 503.068(a) (relating to prohibiting a dealer or an employee of a dealer from using a dealer's temporary tag as authorization to operate a vehicle for the dealer's or the employee's personal use) and 503.094(d) (relating to providing that a person commits an offense involving a violation of certain statutes), Transportation Code.

SECTION 28. Makes application of the changes in law made by this Act prospective to July 1, 2025.

SECTION 29. Requires TxDMV, not later than March 1, 2024, to:

- (1) adopt rules necessary to implement the changes in law made by this Act; and
- (2) create the database described by Section 503.0631, Transportation Code, as amended by this Act.

SECTION 30. Provides that this Act prevails over another Act of the 88th Legislature, Regular Session, 2023, relating to nonsubstantive additions to and corrections in enacted codes, to the extent of any conflict.

SECTION 31. (a) Effective date, except as otherwise provided by Subsection (b) of this section: July 1, 2025.

(b) Effective date, Section 29 of this Act: September 1, 2023.