

BILL ANALYSIS

Senate Research Center
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S.B. 2567
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Transportation
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In recent years, Texas has gained unwanted notoriety over the issuance of paper temporary license plates. Paper temporary license plates have been obtained by some who do not actually sell cars or who do not sell autos commensurate with the number of temporary license plates they sell. Some temporary license plates are bought by people to intentionally avoid purchasing auto insurance, legal vehicle registration, or inspection. Even worse, temporary paper license plates have been placed on vehicles by criminals to commit crimes and avoid apprehension. Thousands of temporary license plates have been seen in New York and Nevada on cars that were not bought in Texas. Vehicles with temporary plates have been connected to crimes that resulted in the deaths of members of law enforcement.

Last fall, following the passage of H.B. 3927 by the 87th Legislature, the Texas Department of Motor Vehicles (TxDMV) took actions to correct problems associated with paper temporary license plates, including the redesign of paper temporary license plates. But within weeks, several Texas law enforcement agencies said the newly redesigned plates could still be easily duplicated and illegally sold.

S.B. 2567 is the Senate companion to H.B. 718 that eliminates the issuance of temporary license plates. The bill would require permanent license plates to be issued to automobile dealers for issuance at the time of a vehicle purchase.

S.B. 2567 deletes multiple subsections and references across Chapters 501, 502, and 503, Transportation Code, and other chapters of the Transportation Code that reference temporary permits, temporary registration, temporary registration plates, temporary registration permits, temporary tags, and buyer's temporary tags.

S.B. 2567:

Requires an auto dealer to collect information from a person who buys a vehicle that will be entered into a database. The database will produce a form containing certain information that must be provided to the buyer that must be kept in the vehicle until registration is completed.

Requires information collected and entered into the database from a vehicle buyer that is part of the registration process, which can be made available to law enforcement if needed.

Prohibits a license plate from being issued by anyone or any entity that is not an auto dealer authorized to issue a license plate in connection with the sale of a vehicle.

Allows TxDMV to deny access to the license plate database to any auto dealer who is found to have fraudulently issued license plates after providing notice to the dealer.

Requires TxDMV to by rule determine the number of license plates that can be issued to an auto dealer based on certain criteria and provides that a dealer may request more plates based on the dealer's needs. TxDMV is required to monitor the number of license plates issued to a dealer.

As proposed, S.B. 2567 amends current law relating to the issuance of temporary tags and license plates by a motor vehicle dealer.

RULEMAKING AUTHORITY

Rulemaking authority previously granted to the Texas Department of Motor Vehicles is modified in SECTION 5 (Section 503.0627, Transportation Code) of this bill.

Rulemaking authority is expressly granted to the Texas Department of Motor Vehicles in SECTION 9 (Section 503.0633, Transportation Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 501.022(d), Transportation Code, as follows:

(d) Provides that Subsection (c) (relating to requiring the owner of certain motor vehicles to obtain a title to the vehicle before selling or disposing of the vehicle) 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 temporary tag, rather than a dealer's or buyer's temporary tag, attached to the vehicle as provided by Chapter 503 (Dealer's and Manufacturer's Vehicle License Plates).

SECTION 2. Amends Section 501.0236(b), 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, a 30-day permit under Section 502.095 (One-Trip or 30-Day Trip Permits).

SECTION 3. Amends Section 503.038(a), Transportation Code, as follows:

(a) Authorizes the Texas Department of Motor Vehicles (TxDMV) to cancel a dealer's general distinguishing number if the dealer takes certain actions, including misuses or allows the misuse of certain items, including a license plate or set of license plates issued under Section 503.063. Deletes existing text authorizing DMV to cancel a dealer's general distinguishing number if the dealer refuses to show on a buyer's temporary tag the date of sale or other reasonable information required by TxDMV. Makes nonsubstantive changes.

SECTION 4. Amends Section 503.0626(c), Transportation Code, to create an exception under Section 503.0627(f), rather than Section 506.0632(f).

SECTION 5. Redesignates Section 503.0632, Transportation Code, as Section 503.0627, Transportation Code, and amends it, as follows:

Sec. 503.0627. DEPARTMENT REGULATION OF TEMPORARY TAGS AND ACCESS TO TEMPORARY TAG DATABASES. (a) Deletes existing text authorizing TxDMV by rule to establish the maximum number of temporary tags that a dealer or converter is authorized to obtain in a calendar year under Section 503.063. Makes nonsubstantive changes.

(b)-(f) Makes no changes to these subsections.

SECTION 6. 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) or (d).

Deletes existing text requiring a dealer, except as provided by this section, to issue to a person who buys a vehicle one temporary buyer's tag for the vehicle.

(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 plates under this section, is responsible for displaying the license plate or set of license plates in compliance with TxDMV rules regarding the placement of license plates. Deletes existing text providing that the dealer is required to show in ink on the buyer's tag the actual date of sale and any other required information and is responsible for displaying the tag.

(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 the dealer to obtain license plates and sets of license plates from TxDMV in the manner provided by TxDMV rules. Deletes existing text providing that DMV is prohibited from issuing a buyer's tag or contract for the issuance of a buyer's tag but is required to prescribe certain requirements for the buyer's tag and for the dealer.

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

(h) Deletes existing text providing that a governmental agency that issues a 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. Makes conforming and nonsubstantive changes.

(i)-(j) Makes conforming changes to these subsections.

(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 7. Amends the heading to Section 503.0631, Transportation Code, to read as follows:

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

SECTION 8. 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 to whom dealers issue a license plate or set of license plates under Section 503.063, rather than information on persons to whom temporary buyer's tags are issued, that is authorized to be used by a law enforcement agency in the same manner that the agency uses vehicle registration information.

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

(c) Requires a dealer, except as provided by Subsection (d), before a license plate or set of license plates issued under Section 503.063, rather than before a buyer's temporary tag, is 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, rather than for which the tag was issued as prescribed by TxDMV; 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), rather than generate a vehicle-specific number for the tag as required by Section 503.063(e).

(c-1) Creates this subsection from existing text. Makes a conforming change.

(d) Provides that a dealer is required 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, is required 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 9. 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 Section 503.063.

(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 time in operation, sales data, and 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 to, at the request of a dealer, 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 or 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 10. 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 a vehicle that displays a dealer-issued license plate or set of license plates in violation of this chapter or Chapter 502 (Registration of Vehicles).

(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 11. Amends Section 503.068(c), Transportation Code, as follows:

(c) Authorizes a dealer complying with this chapter to affix to the rear of a boat trailer the dealer owns or sells certain items, including a license plate issued by the dealer under Section 503.063. Makes nonsubstantive changes.

SECTION 12. Makes application of this Act prospective to March 1, 2025.

SECTION 13. Requires TxDMV, not later than March 1, 2024, to adopt rules necessary to implement the changes in law made by this Act and create the database described by Section 503.0631, Transportation Code, as amended by this Act.

SECTION 14. (a) Effective date, except as otherwise provided by Subsection (b): March 1, 2025.

(b) Effective date, Section 13 of this Act: September 1, 2023.