

CONSIDERATION OF A PAYMENT PLAN FOR VEHICLE REGISTRATION TAXES AND FEES

Final Report | October 2022



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Contents

Executive Summary	4
Introduction	5
Background: Growing Interest in Payment Plans	6
Study Approach	7
Registration Taxes and Fees.....	8
Engagement Findings	16
Focus Groups	16
Survey	17
Payment Plan Considerations	23
Objectives of a Payment Plan.....	23
Recommendations	25
Research Conclusions: Payment Plan Structure Considerations	27
Appendices	38
Appendix A: Vehicle Licensing System Overview	38
Appendix B: Proviso	39
Appendix C: DOL Payment Plan Report	40
Appendix D: Survey Methodology	42
Appendix E: Passenger Vehicle Data	45
Appendix F: Survey Respondent Demographics	47
Appendix G: Analysis of Survey Comments	50
Appendix H: Reimbursement of Registration Taxes and Fees Due to Out-of-State Registration	56
Appendix I: Fines, Enforcement, and Late Fees	58
Appendix J: Rebate Programs	61

Executive Summary

In Washington State, one frequently described challenge for households with low incomes is the cost of vehicle ownership, including the cost of registration taxes and fees (commonly referred to as “car tabs”). In an effort to minimize the financial burden for these households, the Washington State Legislature funded a study to understand the following study questions.

OUR STUDY QUESTIONS

Could the State reduce the impact of registration tax and fee payment on households with low incomes by offering a payment plan? If so, how could that payment plan be structured?

BERK Consulting studied these questions through public engagement, system research, and guidance from an eight-member stakeholder Workgroup. More details about the study methods are shown in the sidebar at right.

Our public engagement found that there is little interest in a potential payment plan: 77% of survey respondents prefer annual payment of registration taxes and fees to a quarterly plan. Focus groups confirmed this finding. Our survey found that preference for annual payments extends across all income groups, although a greater share of respondents with lower incomes expressed interest in a quarterly payment plan.

Our system research identified that there would be high financial costs to the State Department of Licensing (DOL) to develop and administer a payment plan, which would require significant investment from the State. Further, to fund its administration of a payment plan, DOL would likely assess a service fee for payment plan participants, which counters the primary purpose of a payment plan of supporting households with low incomes.

Based on these findings, we recommend the following three actions to the State:

OUR RECOMMENDATIONS

1. Do not pursue a payment plan.
2. Enhance email reminders and launch text message reminders for vehicle registration renewals.
3. Consider other ways of supporting households with low incomes.

Study Methods

Public Engagement

- An online statewide survey gathering 964 responses
- Focus groups of vehicle owners with low incomes from King, Pierce, and Snohomish counties

System Research

- Analysis of vehicle registration data
 - Desk research into potential payment plan options and relevant DOL policies and procedures
 - Interviews with key individuals from DOL and other agencies
-

Introduction

Every vehicle owner in Washington must annually renew their vehicle registration with the State by paying a combination of taxes and fees, which we refer to in this report as “registration taxes and fees” (see the sidebar for more information and **Appendix A: Vehicle Licensing System Overview**). The sum of these taxes and fees can be a large payment—totaling hundreds of dollars in many cases—that can be challenging for some vehicle owners to pay in a lump sum, in particular those with low incomes.

One potential solution suggested by some state legislators and advocates is an option for vehicle owners to instead pay in a series of installments (a “payment plan”) on more regular intervals (e.g., biannually, quarterly, or monthly). While a payment plan would not lower the total cost of registration taxes and fees, it could resolve cash flow challenges for vehicle owners with low incomes.¹

The primary charge of this study was to understand whether the State could reduce the financial pressure of registration tax and fee payments on households with low incomes by offering a payment plan. A key consideration is offsetting any revenue loss associated with payment plans, so as not to negatively impact transportation investments throughout the state. To do this, we considered several design options for a potential payment plan, including service fees, how to determine whether a payment plan participant has any outstanding payments, potential rebates as a supplement or alternative to a payment plan, and how to reduce revenue loss associated with implementation of a potential payment plan or other aspects of the system.

The Washington State Legislature directed the Joint Transportation Committee (JTC) to lead this study (See **Appendix B: Proviso**).² BERK Consulting, partnered with The Vida Agency, CDM Smith, and Yates Consulting, conducted the study (hereafter referred to as the study team), which included workgroup engagement, research and analysis, community engagement through a statewide survey and focus groups, and development of recommendations.

This report summarizes the approach to the work, findings from the research, analysis, and outreach, and provides recommendations and options on the study questions.

KEY TERM:

Registration Taxes and Fees

When a vehicle owner pays for their vehicle registration, the Department of Licensing also collects some taxes and fees on behalf of other public sector agencies, in addition to the State’s vehicle registration fees. See the Registration Taxes section for more information. In this report, we use the term “registration taxes and fees” to refer to *all* taxes and fees collected at the time of vehicle registration.

¹ Vehicle owners can currently create their own de facto payment plan by using a credit card to pay for their registration taxes and fees and paying off the credit card over time. However, the study team does not consider this a viable solution for the challenge faced by vehicle owners with low incomes, as this method requires that a vehicle owner has a credit card, which individuals with low incomes are less likely to have, and typically comes with high interest rates, fees, and the risk of being sent to collections in the event of delinquency.

² Through Sec. 204 of the 2021-2023 transportation budget (SSB 5165).

Background: Growing Interest in Payment Plans

Several factors led to increased interest in payment plans:

Annual renewal of registration taxes and fees can be a high cost for households. Transportation benefit district (TBD) fees in several jurisdictions across the state, the motor vehicle excise tax (MVET) levied in the three-county Sound Transit area, the electric vehicle fee, transportation electrification fee, and gross weight fees produce annual registration taxes and fees totaling an annual lump sum payment of well over \$200 per vehicle for some vehicle owners. In contrast, many other taxes that total large annual amounts—such as payroll, gas, or sales taxes—allow people to “pay as they go.” See the sidebar at right for more details on incremental payment of transportation taxes and fees.

There is increased national and local attention on addressing income inequality. There is increasing awareness of the ways in which the structure of taxes and fees do or do not account for ability to pay as measured by income, as evidenced by the Washington State Tax Structure Workgroup’s review of options to make the state tax code more equitable, adequate, stable, and transparent.

The prevalence of payment plans in the online retail sector has changed consumer expectations. Payment plans in the private sector have a long history and are increasingly offered with online purchases through partnerships with third parties. Payment plans are now part of the retail landscape, with many online retailers offering installment plans to “buy now and pay later.” Most retail plans require payment every two weeks as opposed to monthly or quarterly as was presumed in earlier payment plan explorations by DOL and the Legislature.

There are other discussions occurring related to payment plans. Several recent studies, reports, and the Legislature have addressed payment plans—both for registration taxes and fees and for other taxes—including:

- BERK’s 2020 *Vehicle Subagents Study* for the JTC found that around 60% of vehicle owners do not renew their registration until after it has expired. While we did not analyze customer experience and motivation in that study, we did suggest that payment plans might allow more renewals to move online while also providing support to vehicle owners struggling with an annual lump sum tax payment.
- The Washington State Transportation Commission’s ongoing study of transitioning from the gas tax to a road usage charge has considered periodic versus annual payments. Periodic payments would more closely replicate the pay-as-you-go experience of the gas tax than an annual payment.

Incremental Payment of Other Transportation Taxes and Fees

Most transportation-related taxes and fees can be paid, by design, in small increments.

- Transit operators afford customers the opportunity to pay per trip, or to use a smartcard like ORCA to pre-pay and draw down with each use. New York City’s MTA offers a combination where you can pay by credit card per trip and the system will automatically convert you to a weekly unlimited pass if your per-trip payments reach the weekly pass amount.
- Fuel taxes, bundled into the price customers pay at the pump, add about \$7 to a 10-gallon fill-up in Washington.
- Washington’s tolls can be pre-paid via an electronic toll tag (Good To Go!) or post-pay by mail. If a customer prefers not to use a tag or their tag balance drops below \$0, they receive a bill by mail with a \$2 fee per toll payment due.
- Road usage charge programs in Oregon and Utah feature pre-payment “wallets” similar to tolling and transit accounts. Customers can add funds to their accounts at their convenience, and charges draw down on the available balance over time.

- The Department of Licensing (DOL) issued a 2020 report to the Legislature, *Vehicle Registration Payment Plans*, that estimated implementation of a payment plan system would cost \$2.8 million and result in revenue loss of about \$9 million in the 2021-2023 biennium. The report did not estimate other benefits that might be achieved through increased compliance or operational efficiencies added in conjunction with implementation of a payment plan. See [Appendix C: DOL Payment Plan Report](#) for more details on this report.
- During the 2022 session, SB 5448 proposed quarterly payment plans for individuals with registration fees over \$150. The bill did not reach the Senate floor.

Study Approach

Oversight and Direction

Per direction from the Legislature, the study was guided by an eight-member Workgroup, shown in the sidebar at right. The members represented a range of perspectives as required by the study proviso, all with knowledge of the vehicle licensing system or collection of taxes and fees such as Transportation Benefit District (TBD) fees, Sound Transit’s motor vehicle excise tax (MVET), and electric vehicle fees.

Methods

This study used several methods to gather information:

- **Discussion of research and policy questions with the Workgroup.** The study team and JTC staff met with the Workgroup five times during the study. Workgroup members served as a sounding board to the study team, answered technical questions, provided information on various aspects of the system and project questions, and helped promote the survey.
- **Interviews with DOL staff, Workgroup members, and other agency staff with program experience.** The study team conducted interviews on an ad hoc basis to gather in-depth information as needed.
- **Analysis of vehicle registration data.** The study team analyzed a database of all vehicle registrations in the Sound Transit district and cross-referenced with median census tract income data to understand the relationship between income and the cost of registration taxes and fees. See the section on Payment Amounts for more information.
- **Desk research into DOL policies and procedures, rebate programs, late fees, and payment options here and in other states.** This research enabled the study team to understand the rules and policies that could impact a payment plan. It also provided context and examples from other programs and places.

Workgroup Members

- **Washington State Department of Licensing** – Carl Backen and Jill Johnson
- **County Agents** – Eddie Cantu, King County Records and Licensing
- **Vehicle License Subagents** – Jan Novack, Federal Way Licensing
- **Vehicle owners subject to an electric care or transportation electrification fee** – Grace Reamer, Drive Electric Washington
- **Advocate for multimodal transportation** – Alex Hudson, Transportation Choices Coalition
- **Local taxing authority imposing vehicle license fee/tax** – Reid Bennion, City of Tacoma and Alex Soldano, Sound Transit

A representative from AAA was also invited to represent vehicle owners subject to MVET but no staff member was appointed.

- **Public survey of behaviors and preferences for payment of registration taxes and fees.** The survey gathered input from 964 individuals and was available in Chinese (Simplified and Traditional), English, Spanish, and Vietnamese. It was promoted through contracts with community partners; local and multicultural media engagement; social media ads and outreach; and digital retargeting, geo-targeting, and geofencing. A prize drawing for participants incentivized participation. See the section on Engagement Findings and **Appendix D: Survey Methodology** for more information.
- **Focus group discussions.** The study team conducted two virtual focus group discussions in August 2022 with representatives from King, Pierce, and Snohomish counties to explore some of the trends and themes identified in the public survey.

Registration Taxes and Fees

Vehicle Licensing System Overview

The vehicle licensing system enables vehicle registrations and certificate of title transactions. The system also collects taxes and fees associated with these transactions and other fees. DRIVES is the software system that serves as the backbone for data management, transactions, and reporting.

DOL sends reminders for registration renewals via physical mail or email well in advance of the renewal date: DOL prints and mails a registration renewal reminder letter to a vehicle owner approximately 50 days prior to expiration or sends email notices (if the owner has opted into emails) 80 and 50 days prior to expiration. DOL does not currently send reminders via text message.

Washington residents can choose to pay registration taxes and fees via any of the following channels:

- **DOL.** DOL directly carries out a small proportion of transactions. State law requires county agents or subagents to conduct licensing operations on behalf of the State under contract with DOL.
- **County agents.** Agents are county auditors in all counties except King County where licensing is done by Records and Licensing Services. There are 41 locations across Washington's 39 counties.³
- **Subagents.** Subagents are private business owners who contract with county agents to conduct licensing operations at various locations. Subagents account for 78% of the statewide service fees by volume and 80% by dollar amount.⁴ There are 135 locations in 29 counties.
- **Mail or online.** Registration renewals and select other services are available via mail or the DOL License eXpress website: www.dol.wa.gov/licenseexpress.html. If a vehicle owner chooses to renew their registration this way, they can select an agent or subagent to transact with and choose to either receive their vehicle tabs via mail or visit that agent or subagent for an in-person pick-up.⁵

³ Benton County and Pacific County have two offices each.

⁴ BERK 2020 VLS Study.

⁵ Notably, the proportion of transactions completed online did not increase significantly during the COVID-19 pandemic. This may be because about 60% of registration renewals are completed after tabs have expired, according to DOL. A vehicle owner with expired registration will likely choose to renew their registration in person to acquire their tabs immediately, without any wait time for tabs to arrive via the mail.

The DRIVES system does not currently support automatic payments. Enabling autopay in DRIVES would require significant DRIVES system programming and funding to implement.⁶ See **Appendix A: Vehicle Licensing System Overview** for more information about the vehicle licensing system.

Composition of Registration Taxes and Fees

Any vehicle owner in Washington will pay a minimum of \$68.25 in registration taxes and fees. A vehicle owner's final amount, as shown in Exhibit 1, is determined by factors including additional vehicle weight over the first 4,000 pounds, the address at which the vehicle is registered, whether the vehicle has a hybrid or electric engine, and whether the vehicle owner pays with a debit or credit card. There are two types of taxes that vary by a vehicle owner's address: Transportation Benefit District (TBD) vehicle license fees and Regional Transit Authority (RTA) taxes.

Transportation Benefit Districts

A city or county in Washington can form a TBD. TBDs fund transportation projects contained in a local, regional, or state transportation plan, including roads and public transportation, and they can be used for construction, operations, preservation, and maintenance. TBDs are governed by their establishing jurisdiction's legislative body.⁷ There are approximately 116 local TBDs in the state.

Vehicle license fees are the most-used funding mechanism by TBDs. TBDs can impose vehicle license fees of up to \$50 without voter approval (councilmanic) and up to \$100 with voter approval. Sixty of the state's TBDs have vehicle license fees, ranging from \$10 (University Place) to \$40 (Seattle, Vancouver, and others). Only Seattle has ever successfully passed a voter-approved fee of more than \$50, though the current Seattle TBD fee is \$40 and is councilmanic.

Regional Transit Authority Tax

In Washington State, two or more contiguous counties each with populations of at least 400,000 can establish an RTA to develop and operate a high-capacity transit system. Sound Transit is the only RTA, and its taxing district includes the western portions of King, Pierce, and Snohomish counties. No other counties are eligible to form an RTA.

Several funding mechanisms are available to an RTA, including a Motor Vehicle Excise Tax (MVET),⁸ which is what Sound Transit uses. Owners of vehicles in the Sound Transit district pay the MVET on an annual basis at the time of their registration renewal. State law requires Sound Transit to reimburse DOL for administration and collection costs related to the MVET. MVET revenues fund debt service on Sound Transit's bonds, which finance the agency's construction projects. As a result, Sound Transit has little to no flexibility with them.⁹

⁶ Email from Jill Johnson, Legislative and Special Project Manager at DOL, to Allegra Calder, Principal at BERK, April 21, 2022.

⁷ The establishing jurisdiction's legislative body can govern the TBD either as a separate legal entity or as the same entity if the jurisdiction assumes the TBD's powers.

⁸ The MVET is an annual tax that registered vehicle owners pay on the depreciated value of their vehicle. The annual tax amount is calculated by multiplying the tax rate by the depreciated value of the vehicle.

⁹ The question of how much flexibility Sound Transit has with these funds was raised in the State Supreme Court case surrounding I-976. While the Court did not rule specifically on this question, Sound Transit believes that these revenues have certain legal protections.

The current MVET rate for the Sound Transit RTA is 1.1%.¹⁰ A vehicle owner pays this tax rate on the depreciated value of their vehicle, which is determined using a depreciation schedule and the vehicle manufacturer’s suggested retail price (MSRP).¹¹ The MVET owed for different vehicles can vary greatly, and this variance is the primary factor that impacts total registration taxes and fees for a vehicle owner in the RTA.

Exhibit 1. Overview of Registration Taxes and Fees (as of June 30, 2022)*

Every vehicle owner pays base fees totaling \$68.25, including:	
Standard renewal costs	
Basic Renewal Fee	\$30.00
Weight Fee for First 4,000 lbs. of Vehicle Weight.....	\$25.00
<i>(additional fees for heavier vehicles noted below)</i>	
Fees associated with the administrative costs of collecting registration taxes and fees	
Service Fee ⁱ	\$8.00
County Filing Fee ⁱ	\$4.50
DOL Service Fee ⁱ	\$0.50
License Plate Technology Fee.....	\$0.25
One or more the following additional taxes and fees may also apply:	
 Vehicles weighing 4,001 – 6,000 lbs.	\$20.00
 Vehicles weighing 6,001 – 8,000 lbs.	\$40.00
 Vehicles weighing 8,001 or more lbs.	\$48.00
 Electrification Fee ⁱⁱ (electric or hybrid vehicles only)	\$75.00
 Electric Vehicle Fee ⁱⁱ (electric vehicles only).....	\$150.00
 TBD Vehicle License Fee	\$10.00 - \$40.00
 MVET in Sound Transit RTA.....	\$ varies by MSRP and vehicle age
 Credit and Debit Card Fee ⁱⁱⁱ	3% or \$2.25
<i>(depends on payment location and amount)</i>	

* As of July 1, 2022, [per c 44 § 201 Laws of 2015](#), a vehicle with a declared gross weight of less than or equal to 12,000 pounds will pay an additional weight fee of \$10 (See: [RCW 46.17.355 \(7\)](#)).

- i. Service fees are retained by the subagent or, if collected by the County or DOL, deposited into the ferry system capital vessel replacement account. County filing fees are retained by the County regardless of where the transaction takes place except for \$0.50, which is distributed to DOL then redistributed equally out to counties. The DOL Service fee goes to the state Motor Vehicle Fund and is distributed to the DOL services account.
- ii. Owners of electric vehicles pay both the electric vehicle fee and the electrification fee, totaling \$225. The Electrification Fee funds charging infrastructure, development of greener transit options, and clean alternative fuel infrastructure. The Electric Vehicle Fee is intended to recoup funds for the State multimodal transportation account and motor vehicle fund that would otherwise be collected via the gas tax.
- iii. Check payments and online ACH transfers have no fee associated with them.

Sources: DOL website, 2022; BERK, 2022.

¹⁰ Voters in the Sound Transit district approved this rate in 2016 with 54% of the vote across the full district. However, approval rates differed by county: 58% approval in King County, 51% in Snohomish County, and 44% in Pierce County.

¹¹ The current depreciation schedule was adopted in 1999, and the depreciated value as calculated by this schedule is higher than the market value in many cases. While this depreciation schedule has been challenged, the State Supreme Court has ruled that it can remain in place until 2028, when the bonds issued under this valuation schedule expire.

Payment Amounts

Registration taxes and fees vary considerably by a vehicle owner's location and their vehicle's weight and value, as illustrated with three sample vehicles and locations in Exhibit 2. To understand the range of registration taxes and fees paid by vehicle owners across Washington, we analyzed data on over 4.5 million passenger vehicles registered in the state as of July 2021 for which complete data were available (of 6.7 million total registered passenger vehicles under 10,000 lbs.) (see **Appendix E: Passenger Vehicle Data** for more information on the analysis), estimating total vehicle registration payments for 2.8 million vehicles registered outside the Sound Transit RTA and 1.7 million vehicles registered inside the RTA.

We calculated separate summary statistics for vehicles inside and outside the RTA because vehicle owners registered in the RTA pay the Sound Transit MVET as part of their total registration taxes and fees, which substantially increases the average total payment inside the RTA. See Exhibit 3 and the remainder of this section for a summary of our findings.

Outside the RTA, the median total vehicle registration tax and fee payment in 2021 was \$88, the minimum was \$68, and the maximum was \$373. This maximum was for an electric vehicle and includes the \$150 electric vehicle fee and \$75 electrification fee. For non-electric and non-hybrid vehicles, the maximum payment was \$155.

Inside the RTA, the median total vehicle registration tax and fee payment in 2021 was \$216, the minimum was \$77, and the maximum was \$1,796. Registration taxes and fees vary most widely within the Sound Transit RTA because a vehicle owner's MVET taxes in this district are based on the depreciated value of their vehicle, which varies widely across vehicles.

Exhibit 2. Estimated Registration Taxes and Fees for Three Sample Vehicles in 2021

		LOCATION		
		Tacoma	Spokane	Unincorporated Grant County
VEHICLE TYPE	2021 Ford F150 Original MSRP: \$44,330 2021 Depreciated Value:* \$44,330	Total Registration Taxes and Fees: \$615.88 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Sound Transit MVET..... \$487.63 Tacoma TBD vehicle license fee ... \$20.00 Weight fee - vehicle 6-8k lbs.....\$40.00	Total Registration Taxes and Fees: \$128.25 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Spokane TBD vehicle license fee.....\$20.00 Weight fee – vehicle 6-8k lbs.....\$40.00	Total Registration Taxes and Fees: \$108.25 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Weight fee - vehicle 6-8k lbs.....\$40.00
	2015 Toyota Prius Original MSRP: \$28,435 2021 Depreciated Value:* \$16,208	Total Registration Taxes and Fees: \$341.54 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Sound Transit MVET..... \$178.29 Tacoma TBD vehicle license fee ... \$20.00 Electrification fee\$75.00	Total Registration Taxes and Fees: \$163.25 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Spokane TBD vehicle license fee.....\$20.00 Electrification fee.....\$75.00	Total Registration Taxes and Fees: \$143.25 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Electrification fee.....\$75.00
	1997 Honda Civic Original MSRP: \$14,650 2021 Depreciated Value:* \$1,465	Total Registration Taxes and Fees: \$104.37 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Sound Transit MVET.....\$16.12 Tacoma TBD vehicle license fee ... \$20.00	Total Registration Taxes and Fees: \$88.25 <u>Taxes and Fees Detail:</u> Base fees**\$68.25 Spokane TBD vehicle license fee.....\$20.00	Total Registration Taxes and Fees: \$68.25 <u>Taxes and Fees Detail:</u> Base fees**\$68.25

* Depreciated values in this table reflect the vehicle’s depreciated value under the [depreciation schedule](#) used by Sound Transit to calculate MVET. This depreciation schedule is set by state law.

** See Exhibit 1 for a breakdown of base fees.

Sources: DOL, 2022; MRSC, 2022; BERK, 2022.

Exhibit 3. Estimated Registration Taxes and Fees Summary Statistics, by Geography, 2021

		Inside the RTA	Outside the RTA
Median	Registration Taxes and Fees	\$216	\$88
	Sample Vehicle for which Registration Taxes and Fees equal the Regional Median	2014 Ford Focus	2013 Ford F150
	MVET portion of Registration Taxes and Fees for Sample Vehicle	\$147 (68%)	N/A
Minimum	Registration Taxes and Fees	\$77	\$68
	Sample Vehicle for which Registration Taxes and Fees equal the Regional Minimum	1988 Suzuki Samurai	2012 Toyota Camry
	MVET portion of Registration Taxes and Fees for Sample Vehicle	\$9 (12%)	N/A
Maximum	Registration Taxes and Fees	\$1,796	\$373*
	Sample Vehicle for which Registration Taxes and Fees equal the Regional Maximum	2021 Tesla Model S	2021 Tesla Model S
	MVET portion of Registration Taxes and Fees for Sample Vehicle	\$1,443 (80%)	N/A

Note: All dollar amounts rounded to the nearest dollar.

*This higher cost of the Tesla Model S outside the RTA is because the vehicle is a fully electric vehicle and therefore the owner must pay an electrification fee (\$75) and electric vehicle fee (\$150). The Electrification Fee funds charging infrastructure, development of greener transit options, and clean alternative fuel infrastructure. The Electric Vehicle Fee is intended to recoup funds for the State multimodal transportation account and motor vehicle fund that would otherwise be collected via the gas tax.

Sources: Municipal Research & Services Center (MRSC), 2022; Sound Transit, 2022; U.S. Census Bureau American Community Survey, 2016-2020; Washington State Department of Licensing, 2022; BERK, 2022.

One goal of our analysis of vehicles was to understand how registration taxes and fees differ by household income. We cross-referenced each record in the dataset of vehicle registrations with the median household income of the census tract in which that vehicle is registered.

Exhibit 4 shows the average vehicle registration payment in census tracts in the Sound Transit RTA, grouped by the tract’s median household income.¹² As the exhibit illustrates, the average vehicle registration payment rises as census tract median income rises. That is to say, the higher the median income of the census tract where a vehicle is registered, the higher the total vehicle registration payment is, generally speaking.

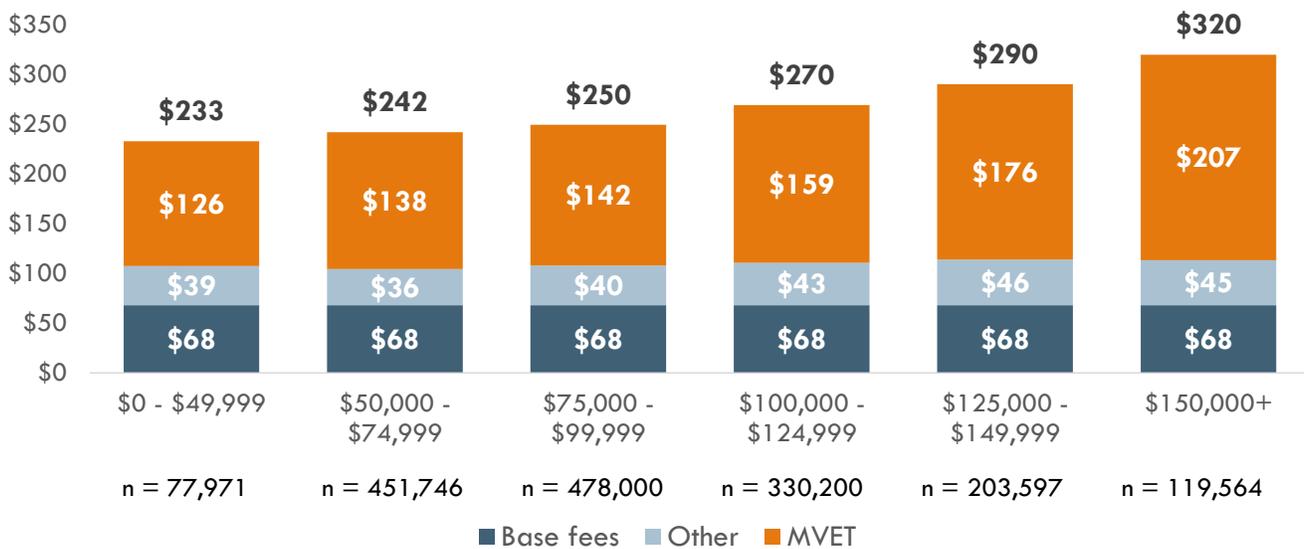
The difference in average payment by census tract median income is primarily driven by the difference in average MVET by income grouping. While base fees are, of course, the same across all income groupings and average other fees (TBD fees, vehicle weight fees, EV and electrification fees) vary only slightly by income grouping, those in the highest income census tracts pay an estimated \$81 more, on

¹² Median registration taxes and fees are about \$50 less the averages across all income groups. The averages skew higher than the medians because of a relatively small number of vehicles with very high MSRPs, which in turn have very high estimated vehicle registration taxes and fees (up to \$1,800 in some cases).

average, in MVET than do those in the lower income census tracts. This is because individuals in higher income census tracts tend to own vehicles that are valued higher by the MVET depreciation schedule—either because these vehicles are newer and/or because the original MSRP was higher.

Vehicle owners in census tracts with median incomes of \$100,000 or above pay an average of 22% more for their registration taxes and fees than vehicle owners in census tracts with incomes less than half of that (less than \$50,000). The lowest income census tracts (those with median incomes of less than \$50,000) have average registration taxes and fees of over \$200.

Exhibit 4. Average Estimated Total Vehicle Registration Payment by Components and Census Tract Median Income Grouping – Inside RTA



Sources: MRSC, 2022; Sound Transit, 2022; U.S. Census Bureau American Community Survey, 2016-2020; Washington State Department of Licensing, 2022; BERK, 2022.

Outside the RTA, the relationship between income and total vehicle registration payment appears to be much weaker. In all census tract income groupings outside the RTA, the median total vehicle registration payment is \$88.25 (\$68.25 in base fees plus \$20 for additional vehicle weight), which is driven by the fact that this is by far the most common combination of registration fees for Washington passenger vehicles. In fact, an estimated 29% of all passenger vehicles registered in Washington have a total registration payment of \$88.25.

Outside the RTA, higher income census tracts have slightly higher average vehicle registration payments, as shown in Exhibit 5. However, the difference is small—the average for the highest income census tracts is \$103, just \$7 more than the average in the lowest income census tracts. This difference in averages is driven by the fact that vehicle owners in higher income census tract pay slightly more in other fees (TBD fees, vehicle weight fees, electrification and EV fees), on average.

Exhibit 5. Average Estimated Total Vehicle Registration Payment by Components and Census Tract Median Income Grouping – Outside RTA



Sources: MRSC, 2022; U.S. Census Bureau American Community Survey, 2016-2020; Washington State Department of Licensing, 2022; BERK, 2022.

Engagement Findings

Focus Groups

In August 2022, the study team held two virtual focus groups with participants from King, Pierce, and Snohomish counties. Participants were recruited through partnerships with local community-based organizations that focus on serving lower income households. A total of 27 individuals participated in the discussions and all participants were compensated with a \$75 Visa gift card for their time and sharing their perspectives.

After a brief overview of the project, participants were moved into three breakout rooms where the facilitator asked for their perspectives on the following questions.

1. Are there things you find challenging about paying your car tab payments?
2. Would you be interested in a car tab payment plan where you pay four times or two times per year rather than all at once? Why or why not?
3. What would you need that plan to look like for you to participate?
4. Would you be willing to pay an additional service fee to have access to a payment plan? For those of you who said yes, what additional fee amount would you be willing to pay to use a payment plan?
5. Installment plans are common right now. However, with the current system it's not possible to do an automatic payment so you'd have to initiate the payment each quarter (or twice per year) and enter your information. Does that change your interest in a payment plan?
6. The Legislature is not sure whether it will move forward with a car tab payment plan, but we wanted to get your thoughts. Is there anything you want to add about potential car tab payment plans?

Findings

The overall cost of vehicle registration fees was raised in all focus groups along with the high costs of vehicle ownership. Some participants noted that the fees feel unfair to households with low incomes relative to those with higher incomes and some suggested that income be a factor in calculating the amount owed.

Few participants were interested in a payment plan. Of those that were, some would be willing to pay a nominal fee while others would only participate with no additional fees. Some expressed surprise that fees would be charged for a payment plan designed to support households with low incomes.

- Reasons to support payment plans included more manageable payment amounts. A few participants suggested an account-based model where you could add funds as you have them available.
- Reasons to oppose payment plans included not wanting to deal with multiple payments in a year, greater likelihood of falling behind on payments, lack of clarity on how it would work, and unwillingness to pay more once the fees are accounted for.

Lower income households were reluctant to sign up for automatic payments or withdrawals due to concerns about insufficient funds. Finally, there was strong support for email and text reminders.

Survey

The public survey of behaviors and preferences for payment of registration taxes and fees gathered input from 964 respondents. The key question for our work was whether respondents would prefer annual payments or a potential quarterly payment option.¹³

About the Respondents

All survey respondents have either previously paid for or renewed their vehicle registration in Washington or plan to do so in the future. Three-quarters of respondents reported having driven at least half of the days in the 30 days preceding the date of their survey response. About half of respondents own one vehicle and the other half own two or more vehicles. Some survey respondents drive professionally, which may include drivers of rideshare vehicles, taxis, sales representatives, or delivery vehicles.

Respondents' demographics mostly reflect the overall demographics of Washington residents. See **Appendix F: Survey Respondent Demographics** for a comparison of respondents' demographics compared to state demographics.

Findings

This section describes findings from the closed ended (multiple choice or checkbox) survey questions about the following topics:

- Payment Plan Preferences
- Automatic or Manual Renewal Preferences
- Difficulties Paying Registration Taxes and Fees

Some survey questions allowed respondents to submit free form "other" responses or comments. See **Appendix G: Analysis of Survey Comments** for a summary of themes from this open-ended input.

¹³ To keep the survey simple, we did not ask respondents about a potential payment plan on another payment interval, such as a biannual or monthly plan.

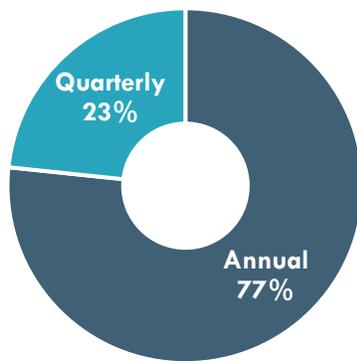
Payment Plan Preferences

Over three-quarters of survey respondents prefer annual payment of registration taxes and fees to a quarterly plan, as shown in Exhibit 6.¹⁴ Exhibit 7 shows this preference disaggregated by respondents' incomes, and shows that a greater share of respondents with lower incomes expressed interest in a quarterly payment plan. However, the majority (68%) of those with incomes under \$60,000 still prefer annual payments.

Exhibit 6. Respondent Preference for Annual or Quarterly Payment of Registration Taxes and Fees (n=964)

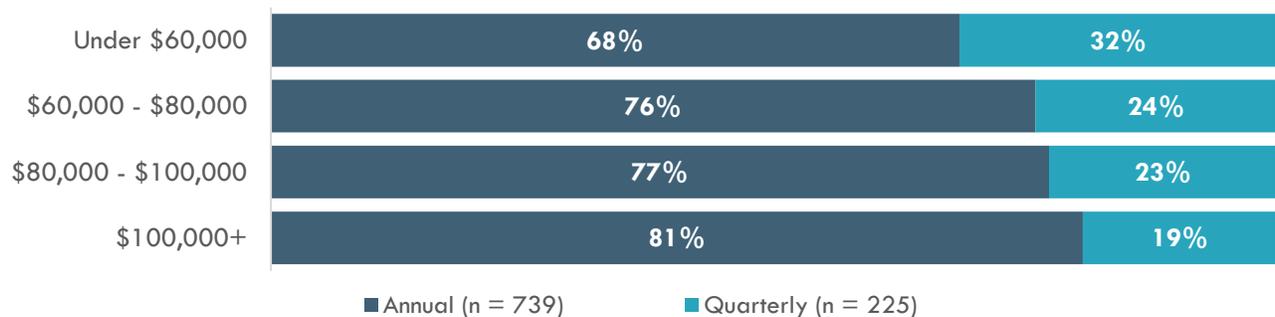
Survey Question: Currently, Washington State requires cars tabs to be renewed and paid annually. The goal of a quarterly payment plan would be to reduce the financial pressure of a lump-sum car tab payment by spreading the cost of the car tab into 4 payments made over a year. How would you prefer to pay your car tabs?

- Once a year.
- Quarterly payments through a payment plan.



Sources: TVA, 2022; BERK, 2022.

Exhibit 7. Respondent Preference for Annual or Quarterly Payment of Registration Taxes and Fees, Disaggregated by Income



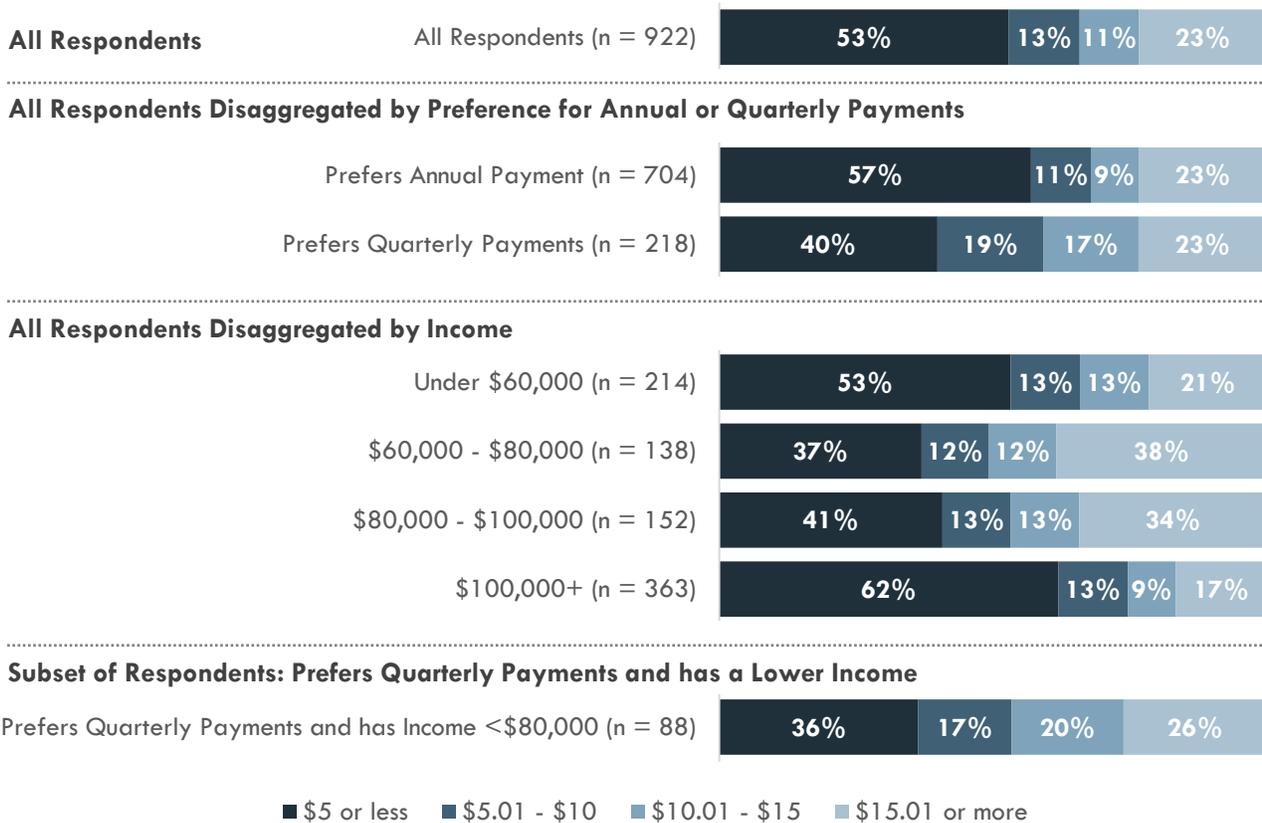
Sources: TVA, 2022; BERK, 2022.

¹⁴ The survey provided little detail about the structure of a potential payment plan, so respondents would have responded based on their assumptions about a potential payment plan.

Most participants would be unwilling to pay the minimum fee needed to cover administrative costs of a payment plan. The survey asked respondents about the additional annual processing fees that they would accept to participate in a payment plan. As shown in Exhibit 8, over half of respondents indicated that they would be willing to pay \$5 or less. Of the respondents who would prefer a quarterly payment plan, only one-quarter are willing to pay fees at a level that would cover the cost of the quarterly service, which has been estimated at \$16 per year.¹⁵ Respondents with incomes between \$60,000-\$100,000 are more likely to be willing to pay higher fees. About one-half of respondents who both would prefer a quarterly payment plan and have incomes below \$80,000 would be willing to pay fees above \$10.

Exhibit 8. Respondents’ Acceptable Additional Annual Processing Fees, Disaggregated by Income and Preference for Annual or Quarterly Payments

Survey question: Establishing a quarterly payment plan would result in additional administrative costs and therefore fees to the consumer. Everyone who opts into a quarterly payment plan would pay additional fees on top of the \$13.25 fees that everyone currently pays when renewing their car tabs. At what point would additional processing fees be too high for you to consider using the quarterly payment option? Drag the slider to indicate when the additional fee would be too high for you.



Sources: TVA, 2022; BERK, 2022.

¹⁵ In response to the DOL Payment Plan report (see Appendix C: DOL Payment Plan Report, agents recommended a \$4 convenience fee each quarter, or a total of \$16 per year, to cover the costs of additional staffing and time spent on transactions).

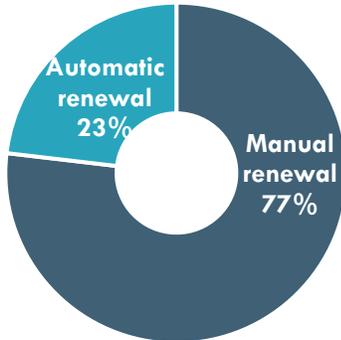
Automatic or Manual Renewal Preferences

Three-quarters of respondents prefer manual renewal to automatic renewal of registration taxes and fees, as shown in Exhibit 9.¹⁶ However, as shown in Exhibit 10, a greater share of respondents with higher incomes (35%) prefer automatic renewal than those with lower incomes.

Exhibit 9. Respondent Preference for Automatic or Manual Renewal of Registration Taxes and Fees (n=964)

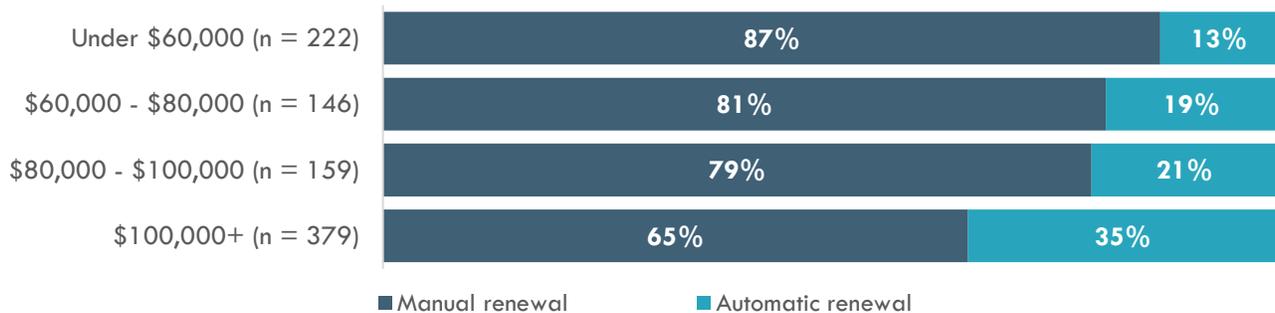
Survey Question: Which of the following options would you prefer when renewing your car tabs?

- Manual renewal (I prefer to schedule the payment after receiving the renewal notice).
- Automatic renewal (I prefer to have my payment automatically deducted).



Sources: TVA, 2022; BERK, 2022.

Exhibit 10. Respondent Preference for Automatic or Manual Renewal of Registration Taxes and Fees, Disaggregated by Income



Sources: TVA, 2022; BERK, 2022.

¹⁶ This survey question asked about automatic or manual renewal generally, outside the context of annual or quarterly payments. Respondents may have answered this question with either option in mind.

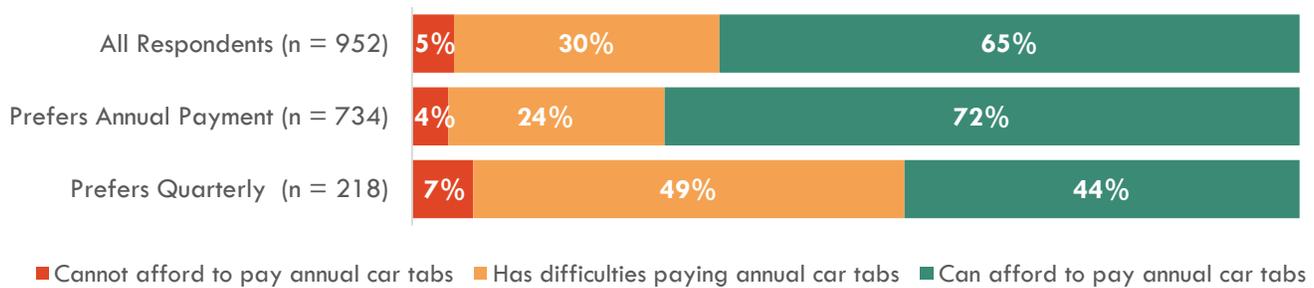
Difficulties Paying Registration Taxes and Fees

Exhibit 11 shows that **respondents who prefer quarterly payments are twice as likely to experience difficulties paying their vehicle tabs as respondents who prefer annual payment.** More than half of survey respondents who indicated a preference for a quarterly plan note that they either have difficulties paying for annual tabs or cannot afford to pay.

Exhibit 11. Respondent Self-Reported Ability to Pay Annual Registration Taxes and Fees

Survey Question: Which of the following statements best describes you?

- I can afford to pay my annual car tabs.
- It's difficult for me to pay my annual car tabs.
- I can't afford to pay my annual car tabs.

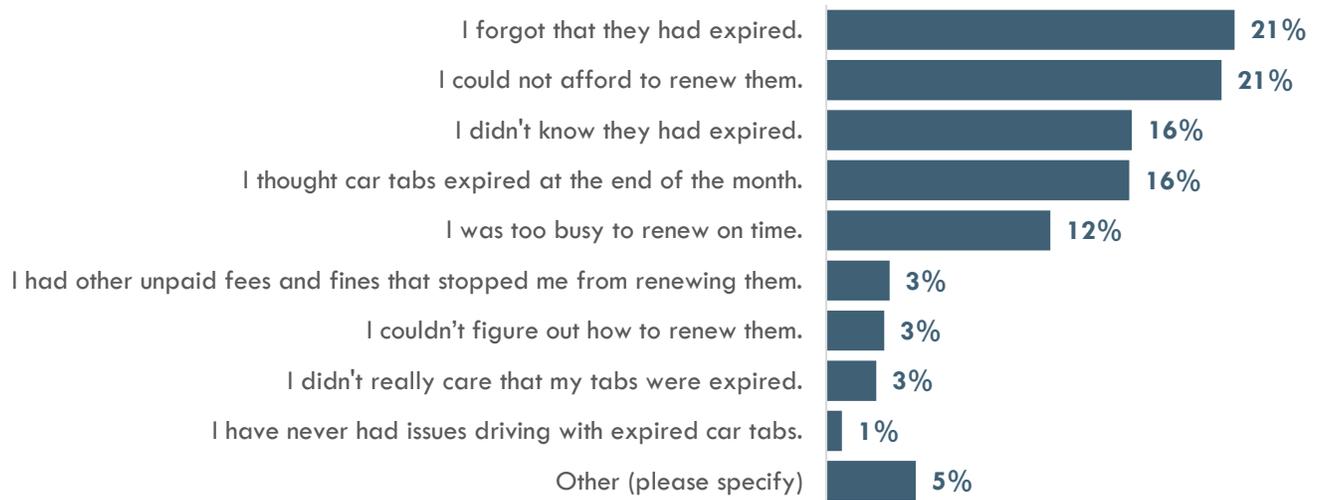


Sources: TVA, 2022; BERK, 2022.

Approximately half of respondents report having driven with expired vehicle registration and Exhibit 12 shows respondents' self-reported reasons for late renewal of registration. The two most common reasons for late renewal were that respondents forgot (21%) or could not afford to do so (21%). **Twice as many respondents who prefer quarterly payments reported being late to renew their registration due to affordability issues compared to respondents who prefer annual payments.** The shares of respondents who report all other reasons for late renewals do not differ by respondents' preference for annual or quarterly payments.

Exhibit 12. Respondent Self-Reported Reasons for Late Renewal of Registration (n=726)

Survey Question: *Why did your car tabs expire before you were able to renew them? (Check all that apply)*

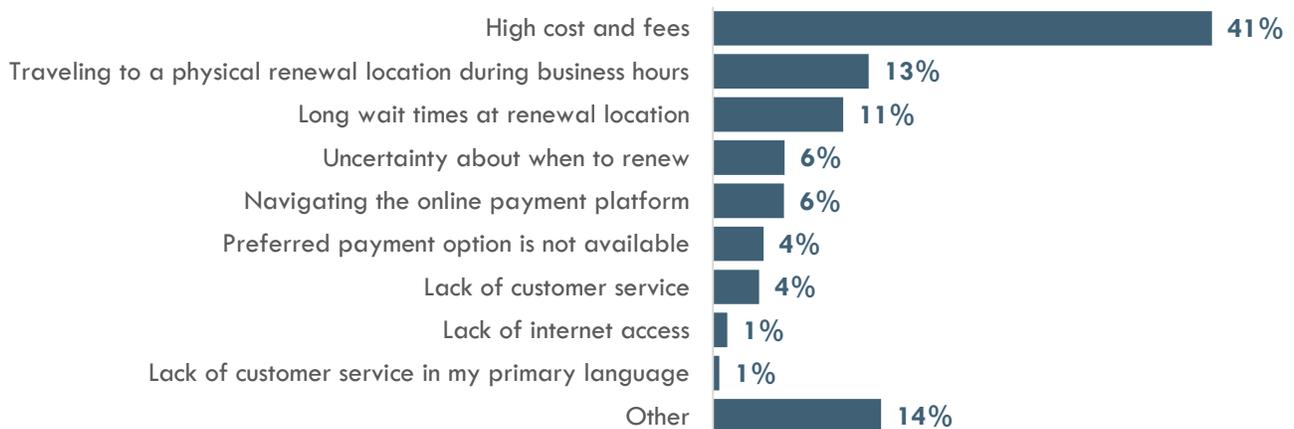


Sources: TVA, 2022; BERK, 2022.

Exhibit 13 shows respondents' difficulties with vehicle registration renewal process. The most commonly reported difficulty (41%) was with the high costs and fees associated with renewal. Among RTA respondents, the share that cited high cost and fees was 44% compared to 31% of those living outside the RTA. The shares of respondents reporting all other difficulties do not differ by respondents' locations.

Exhibit 13. Respondents' Difficulties with the Vehicle Registration Renewal Process (n=1370)

Survey question: *What, if anything, was difficult about the car tabs renewal process? (Check any/all that apply)*



Notes: The total number of responses exceeds 964 as respondents could select more than one option.

Sources: TVA, 2022; BERK, 2022.

Payment Plan Considerations

Objectives of a Payment Plan

As described in the Executive Summary, the primary purpose of considering a payment plan was to understand whether the State could reduce the impact of registration tax and fee payment on households with low incomes. To be viable, a payment plan would also need to be affordable for the State, which would include low administrative costs and minimal potential for loss of revenue, as described below in Risks of Revenue Loss. A payment plan would also need to be designed to enable easy participation with a positive customer experience. These four objectives are summarized in Exhibit 14 and served as an evaluative tool in developing our recommendations.

Exhibit 14. Objectives of Payment Plan Design



-  **Equitable support for vehicle owners with low incomes**
-  **Low additional administrative costs**
-  **Minimal potential for revenue loss**
-  **Positive customer experience**

Source: BERK, 2022.

Risks of Revenue Loss

DOL's 2020 [Vehicle Registration Payment Plan Report](#) suggests that creation of a payment plan could lead to revenue loss for the following reasons:

- 1. If a payment plan was not designed to recoup late or missed payments by participants, either during or after the payment plan year.** See Outstanding Payments for a potential resolution to this concern.
- 2. If a payment plan participant were to sell their vehicle or move out of state before paying all installments.** In this case, the participant would still owe the remaining installments, as registration taxes and fees are collected for a full (not partial) year. The payment plan would spread out the payments over a year but would not allow for a partial year of registration. However, this participant might not pay their remaining installments if they were unaware of this requirement or if they did not want to pay for registration in a state other than their current state of residence. DOL does not send unpaid vehicle registration to collections,¹⁷ so it would not have a way to recover the remaining payments. (See **Appendix H: Reimbursement of Registration Taxes and Fees Due to**

¹⁷ And, in an interview, DOL explained that collections attempted across state lines is rarely successful.

Out-of-State Registration for more information). For a potential resolution to this concern, see Outstanding Payments in the section on Research Conclusions: Payment Plan Structure Considerations.

We also identify the following additional risk of revenue loss, which exists under the current system:

- 3. If a vehicle owner were late to renew their registration, which increases their likelihood of not renewing their registration.** DOL does not continue to send registration reminders to an owner after their vehicle's registration has expired. We therefore assume that the later an owner is in renewing their vehicle registration—and the longer it's been since they received their renewal notice—the less likely that owner is to renew at all, unless they receive a fine or penalty that prompts them (see **Appendix I: Fines, Enforcement, and Late Fees**). If that vehicle owner did not register their vehicle for an entire year and then attempted to register their vehicle the following year, DOL cannot recoup the registration payment for the interim, non-registered year under current State statute. (For a potential resolution to this concern, see Outstanding Payments.)

Recommendations

1. Do not pursue a payment plan.

We recommend against a payment plan for three reasons:

- A. **Households with low incomes have limited interest in a payment plan.** Our survey and focus groups found that only a small subset of households with low incomes express interest in a potential payment plan.
- B. **There would be a high cost to update the DRIVES system to enable more frequent invoicing and to hire additional staff to support the system.** See the section on Research Conclusions: Payment Plan Structure Considerations for more details on the costs to DOL to implement a payment plan. This high cost could likely be better invested in other supports for households with low incomes (see the third primary recommendation).
- C. **To recover some of the costs of administering a payment plan, DOL would likely assess a service fee for payment plan participants, which counters the primary purpose of a payment plan of supporting households with low incomes.** As described in Research Conclusions: Payment Plan Structure Considerations, we recommend that DOL impose a service fee to cover administrative costs if it were to implement a payment plan. However, imposing a fee would increase the total cost of registration taxes and fees for households participating in the plan. Further, our survey found that few vehicle owners—especially those from households with low incomes—would be willing to pay a service fee that would be high enough to cover administrative costs. Therefore, imposition of a payment plan service fee would not only raise the total cost of registration taxes and fees for the very households the payment plan aimed to support, but it would also further reduce interest in a payment plan.

Given these reasons, a payment plan could not adequately meet our four objectives for a payment plan, shown previously in Exhibit 14.

To come to this recommendation, the study team considered several operational and design questions about a potential payment plan. This research led to several conclusions related to components of an effective payment plan. The section Research Conclusions: Payment Plan Structure Considerations details our conclusions.

2. Enhance email reminders and launch text message reminders for vehicle registration renewals.

We recommend DOL pursue enhanced email and text reminders to help more vehicle owners renew on time. The primary financial cost of implementing this improvement would be a one-time cost to design and set up this functionality in the DRIVES system, and ongoing operating costs would be minimal. Therefore, we recommend this system improvement be made available to all vehicle owners, not just owners who would participate in a potential payment plan.

According to BERK's 2020 Vehicle Licensing Subagents report, more than half of vehicle owners are late to renew their vehicle registration. This finding was confirmed via this study's Survey, which identified that some of the most common self-reported reasons for late renewal are that an owner had forgotten their registration had expired, that they didn't know their registration had expired, or that they thought their

registration expired at the end of the month rather than on a specific date. Pursuing more frequent email reminders, launching text reminders, and enhancing the reminder messages to include the expiry date of a vehicle owner's registration and a link to make online payments via License eXpress could help address all three of these reasons for late renewal.

Enhanced email and text message reminders would be especially important for participants of a potential payment plan because these vehicle owners would have a higher number of payment due dates each year, and therefore a higher number of opportunities to be late for a payment.

Focus group participants also expressed strong interest in receiving more reminders by text and email. See the Vehicle Licensing System Overview section for more details on DOL's current renewal reminder process.

3. Consider other ways of supporting households with low incomes.

The spirit of the proviso for this study is to support households with low incomes, acknowledging that the lump sum annual payment for registration taxes and fees can produce cash flow problems. A payment plan could address the cash flow problem by decreasing the amount a vehicle owner owes at a given time by increasing the frequency of payments, but it would also add costs to the total amount owed as DOL would need to charge a service fee to cover costs. This study considered rebate options and advises against them. We did not contemplate a discount program because a revenue source to cover the discount would need to be identified and discount programs were not included in the scope of this study as determined by the proviso.

Several members of the Workgroup noted that if the Legislature aims to support households with low incomes via transportation related expenses, it could investigate the feasibility and funding sources for a discount program to decrease the total cost of vehicle registration and taxes for these households. The State could also explore changes to non-transportation related taxes, fees, and programs.

Research Conclusions: Payment Plan Structure Considerations

To develop our three recommendations, we researched and discussed several design and operational considerations for a payment plan. We then evaluated these considerations based on our objectives of payment plan design, as described in Exhibit 14. This section summarizes our conclusions about several categories of potential payment plan design, including:

- **Eligibility:** Who would be eligible to participate in the payment plan? How would eligibility be verified?
- **Administration:** How could the payment plan be administered in a cost-effective way?
- **Fees:** Would payment plan participants pay a fee to participate in the plan? If so, what would those fees be? Should DOL consider a rebate program for some fees?
- **Outstanding Payments:** How could a payment plan ensure that any missed payments are tracked and collected at a later date?
- **Payment Timing:** How many installments would the payment plan offer and when would they be due?
- **Revenue Distribution:** How would revenue collected from installments be distributed among the recipients, including DOL, the Sound Transit RTA, and local jurisdictions collecting TBDs?

We also categorize the necessity of each finding as either required or suggested.

- **Required conclusions would be essential to implementation of a payment plan.** Without implementation of these recommendations, a payment plan would not function.
- **Suggested conclusions offer means to ensure a payment plan would most effectively meet the four stated objectives.**

Exhibit 15 shows a summary of our conclusions and how each one addresses one or more of the four objectives for a potential payment plan. The following sections describe each finding in depth.

Our research assumed that a payment plan would be developed within the existing vehicle licensing system as currently configured, carried out by DOL, county agents, and subagents, and using the DRIVES system, rather than implemented by a third party.

Exhibit 15. Summary of Research Conclusions: Payment Plan Structure Considerations

Category	Necessity	Conclusion	Objectives			
			Support Owners with Lower Incomes	Minimize Admin Costs	Minimize Revenue Loss	Support Customer Experience
Eligibility	Suggested	1. Limit participation in the payment plan program		✓	✓	
	Suggested	2. Use income, rather than total cost of registration taxes and fees, to determine eligibility	✓			
Administration	Suggested	3. Centralize administration of payment plans at DOL		✓		
	Required	4. Invest in DOL, including updating the DRIVES system and hiring new staff, to support implementation of a payment plan				✓
	Suggested	5. Conduct outreach to vehicle owners	✓			
	Suggested	6. Deliver all materials and paperwork up front		✓		✓
	Suggested	7. Require participants to receive renewal reminders and invoices via email or text instead of physical mail whenever possible		✓	✓	
	Suggested	8. Encourage participants to pay via credit card or ACH transfer		✓		
	Suggested	9. Implement autopayment as an opt-in option for vehicle owners			✓	✓
Fees	Suggested	10. Collect an additional service fee to cover the cost of service but no more	✓			
	Suggested	11. Do not apply the payment plan to fees associated with the administrative costs of collecting registration taxes and fees			✓	
	Suggested	12. Do not implement late fees	✓	✓		
	Suggested	13. Do not pursue a rebate program		✓		
Outstanding Payments	Required	14. Pursue a statute change to allow DOL to withhold registration due to unpaid registration taxes and fees			✓	
	Required	15. Collect outstanding payments on missed installments and ensure this information is included on a vehicle owner's invoice			✓	
	Required	16. Require a payment plan participant to pay all the installments of the plan, even if they move out of Washington or sell their vehicle within the year for which they've already enrolled in a payment plan			✓	
	Suggested	17. Do not pursue collections	✓	✓		
Payment Timing	Suggested	18. Collect installment payments during the year following the registration renewal date, rather than in advance		✓		✓
	Suggested	19. Consider tradeoffs between different frequencies of payment installments	✓		✓	✓
Revenue Distribution	Suggested	20. Consider standardizing the due date of payment plan installments		✓		✓
	Suggested	21. Distribute revenue from each installment proportionately to Sound Transit, DOL, and jurisdictions collecting TBDs			✓	

Source: BERK, 2022.

Eligibility

1. **Limit participation in the payment plan program.** DOL anticipates that implementation of a payment plan would result in administrative costs and revenue losses. To minimize these costs and losses and thereby lower fees for participants, enrollment in a payment plan would need to be limited to a subset of vehicle owners who are impacted most by registration taxes and fees.
2. **Use income, rather than total cost of registration taxes and fees, to determine eligibility.** Two ways that DOL could determine eligibility for a potential payment plan are income (i.e., only allowing participation from vehicle owners with incomes below a certain threshold) or total cost of registration taxes and fees (i.e., only allowing participation from vehicle owners with registration taxes and fees above a certain threshold).

Previously proposed payment plan legislation suggested limiting eligibility to individuals with high registration taxes and fees, such as those totaling more than \$100 or \$150. However, using cost as a threshold would require an additional variable of geography to account for the variance in registration taxes and fees inside versus outside the RTA. As shown in Exhibit 16, if a \$100 threshold was used, over 95% of vehicle owners in the RTA would be eligible to participate. However, using this same threshold, any vehicle owner outside the RTA and not in a TBD would have to own an electric vehicle, hybrid vehicle, or vehicle over 6,000 pounds to be eligible to participate—which excludes most combustion-engine cars, minivans, SUVs, and small- and mid-sized trucks. A \$150 threshold—which would limit participation within the RTA to about two-thirds of vehicle owners—would only apply outside the RTA to owners of electric vehicles, hybrids, and the heaviest category of passenger vehicles (more than 8,000 lbs.) that are registered in a TBD with a \$40 fee. These examples illustrate that a dollar-based minimum eligibility threshold for a payment plan is likely to create a de facto geographic restriction on participation.

One potential solution to this geographic restriction would be to use variable geography-based cost thresholds (i.e., implementing different thresholds by location). However, this would add administrative complexity and create challenges in conducting a public outreach and education campaign about the program and who is eligible to participate. While not everyone would be eligible for an income-based program, the same messaging and materials could be used across the state.

Given that the primary purpose of offering a payment plan for registration taxes and fees would be to reduce the impact to households with low incomes, it follows that a vehicle owner's income should be used to determine eligibility. To minimize administrative costs of income verification, DOL could determine income eligibility based on whether a vehicle owner is enrolled in another program restricted to individuals with low incomes (e.g., Washington Apple Health, Basic Food, or Temporary Assistance for Needy Families) as opposed to confirming income via tax forms or income statements. Verifying eligibility would still take time and require an agreed upon definition of "low income," however, and DOL might want to consider partnering with DSHS or another agency that already provides verification services (see [Appendix J: Rebate Programs](#) for more information on income verification).

Exhibit 16. Estimated Percentage of Vehicles With Registration Taxes and Fees Under \$100 and \$150 Thresholds, by Geography

	Inside RTA	Outside RTA
% of Vehicles with Registration Taxes and Fees over \$100	97%	37%
% of Vehicles with Registration Taxes and Fees over \$150	69%	2%

Sources: MRSC, 2022; Sound Transit, 2022; U.S. Census Bureau American Community Survey, 2016-2020; Washington State Department of Licensing, 2022; BERK, 2022.

Administration

- 3. Centralize administration of payment plans at DOL.** The initial transaction could be completed anywhere in the vehicle licensing system, including at an agent or subagent as is typical now, whether through walk-in customers or online renewals processed in an office. Following the initiation of renewal, it would be best for DOL to handle all future invoicing and payments to facilitate reporting and auditing of subsequent payments. To do so, DOL would need to change its invoicing system as noted in the next conclusion.

Invest in DOL, including updating the DRIVES system and hiring new staff, to support implementation of a payment plan. To effectively implement a payment plan, DOL would need to change its invoicing system to enable production of a quarterly or biannual receipt that shows an individual’s registration details, the amount paid to date, and the total amount outstanding. DOL would also need to hire additional staff to support the additional invoicing and other administrative needs. DOL estimated that if it were to implement a payment plan in 2020, it would incur costs of \$2.8 million in the 2021-2023 biennium and \$4.1 million in the 2023-2025 biennium.¹⁸ Some of these costs could be covered by a service fee charged to payment plan participants (see Fees for a related conclusion), but additional funding would need to be provided by the State.

- 4. Conduct outreach to vehicle owners.** To effectively gain program uptake by all eligible vehicle owners, the State would need to invest significant resources to disseminate information about the program, its benefits, its terms and conditions, and how to apply. The State would also need to educate all vehicle owners about who would be eligible for participation.
- 5. Deliver all materials and paperwork up front.** DOL would need to provide payment plan participants with all standard renewal materials (e.g., year-long vehicle tab stickers or a registration certificate) up front upon payment of the initial installment. This would reduce service costs by streamlining transactions for future installments, as the only remaining task would be to collect payment.

¹⁸ DOL, Vehicle Registration Payment Plans, 2020.

6. **Require participants to receive renewal reminders and invoices via email or text instead of physical mail whenever possible.** Currently, DOL sends many vehicle owners print renewal reminders via mail, which creates postage and materials costs for DOL.¹⁹ Payment plan participants would need to receive payment reminders multiple times per year, and sending these additional physical reminders via mail would increase costs for DOL. Under a payment plan, DOL could minimize reminder costs by requiring participants to receive reminders via email or text, with an exception for participants who do not have email accounts or regular internet access.
7. **Encourage participants to pay via credit card or ACH transfer.** Credit card and ACH payments create less work and have lower administrative costs than check payments. Because DOL would process more payments per year from payment plan participants, it would want to encourage participants to pay via these more efficient methods. Although customers incur a fee when paying by credit card, ACH payments are fee-free.
8. **Implement autopayment as an opt-in option for vehicle owners.** Autopay would:
 - **Improve the customer service experience** by minimizing the work required of a vehicle owner to pay for their registration renewal, be it a single annual payment or a payment plan installment.
 - **Minimize late payments** by eliminating the need for a vehicle owner to remember to renew their registration or make an installment payment under a payment plan.

An autopay option could support a viable payment plan given that households with multiple vehicles on different renewal schedules could have to pay installments several times each year (see page 37). However, survey and focus group results suggest that many households with lower incomes—the primary group the State aims to support with a payment plan—likely would not select an autopay option due to concerns about having insufficient funds available at the time of withdrawal.

There are ongoing discussions around how automatic payments could eventually be implemented. For example, as the State considers transitioning from a gas tax to a road usage charge (RUC),²⁰ it will likely aim to allow consumers to make RUC payments in installments. If RUC payments run through the vehicle licensing system, DOL will likely need to develop an automatic payment system to facilitate this transition, which DOL could also use for vehicle registration payment plans.

Fees

9. **Collect an additional service fee to cover the cost of service but no more.** DOL would need additional ongoing funding to administer a payment plan. DOL could charge a small fee to payment

¹⁹ Currently, vehicle owners may opt into receiving email notifications for their vehicle registration through the online License eXpress portal, or by navigating to the DOL website, scrolling to the bottom of the page, and clicking the link for “Get or update email reminders.” DOL includes “Skip a Trip” language on many mailings to direct customers to online services, but does not specifically prompt individuals to opt into email notices.

²⁰ At the time of writing, the Washington State Transportation Commission (WSTC) and a consultant team are preparing to launch a small-scale RUC pilot, as well as studying the logistics, economics, and equity impacts of a shift to RUC. Drivers of internal combustion engine and hybrid vehicles currently experience the gas tax as a “pay as you go” tax, which they pay when they fill up their vehicle’s gas tank (while fuel distributors directly pay the gas tax when the fuel is removed from a terminal, the tax is passed through to consumers). To avoid burdening consumers with large payments, address logistical challenges in collecting charges, and support revenue for the State and local governments, the State will likely need to offer payment systems that allow consumers to pay in two or more installments.

plan participants to cover their additional costs of service, such as additional staff to handle increased invoicing and processing of additional payment transactions. While even a small additional service fee would result in a higher total cost for payment plan participants than for nonparticipants, registration taxes and fees would nonetheless be more manageable for vehicle owners with low incomes because each installment would be a significantly smaller amount. DOL would not share these fees with agents or subagents because those actors' transaction duties would remain the same. Revenue from fees would likely need to be supplemented by additional funding provided by the State (see Administration for a related recommendation).

The additional service fee would need to be a flat fee, rather than variable, based on the cost of a vehicle owner's registration taxes and fees. While a flat fee model would have a disproportionate impact on vehicle owners with lower vehicle registration amounts, it would reduce the fees DOL would pass on to payment plan participants because it would be easier to administer than a variable fee model.

- 10. Do not apply the payment plan to fees associated with the administrative costs of collecting registration taxes and fees** (i.e., \$8.00 Service Fee, \$4.50 County Filing Fee, \$0.50 DOL Service Fee, and \$0.25 License Plate Technology Fee). A vehicle owner would need to pay these fees in full up front when they pay the first installment. This would ensure that the introduction of a payment plan—and potential revenue losses associated with it—would not impact agents and subagents who receive some of these fees and rely on them to offset costs, including labor, office space, equipment, and supplies, and are intended to “keep vehicle subagents and county auditors healthy” with a modest profit.²¹

All other components of the vehicle owner's registration taxes and fees would be included in the payment plan and could be evenly divided among installments. As a result, payment plan participants would pay \$13.25 more (the sum total of the four aforementioned fees) at their initial transaction than they would when paying subsequent installments.

- 11. Do not implement late fees.** Late fees are often used to promote on-time payments. However, for a vehicle owner who is late to pay their registration taxes and fees because they don't have the funds to pay the total annual amount, a late fee would only add to the total amount owed and would be punitive rather than motivating. We would not recommend implementing late fees with a payment plan, but if the State were to do so, we would recommend an amount that provides some encouragement for on-time payment, such as a \$5 flat fee, and is not punitive as in the fees assessed in California, Kentucky, Mississippi, and New Mexico. See **Appendix I: Fines, Enforcement, and Late Fees** for more information.
- 12. Do not pursue a rebate program.** Rebate programs pose many challenges, including a significant level of effort from participants and high administrative costs to verify eligibility and conduct outreach. Further, since rebate programs require eligible recipients to pay the full fee amount up front and then receive reimbursement once the application is approved, such a program would not address the challenge related to having sufficient cash available to pay a large lump-sum bill. Finally, the Sound Transit MVET is voter-approved, which means that State law requires the MVET to

²¹ [RCW 46.17.040](#).

be collected until Sound Transit's bonds are repaid.²² If a rebate were offered, funds would be needed to ensure bond repayment, whether that was through state General Fund dollars or Sound Transit selling additional bonds, as suggested in the 2017 bill. If the State were to allocate funding for a rebate program, the value of such a program would need to be weighed against the other programs funded by the State. The high administrative costs of rebate programs (over \$100 for a \$20 rebate in the case of Seattle's TBD) means that a State allocation for a vehicle registration rebate would likely provide less benefit to low-income households on a per-dollar basis than many other State programs. Given these challenges, there may be more meaningful and efficient ways to provide relief to vehicle owners with low incomes than introducing a rebate program (see **Appendix J: Rebate Programs** for more details).

Outstanding Payments

13. Pursue a statute change to allow DOL to withhold registration due to unpaid registration taxes and fees. State statute (RCW 46.16A.120) currently does not allow DOL to collect unpaid registration taxes and fees from prior years, so if a vehicle owner does not renew their vehicle for a full year and renews their registration the next year, DOL may not assess the previous years' registration taxes and fees and will only charge for the upcoming year.²³ Thus, under a payment plan, a vehicle owner could opt into a payment plan, pay only the initial installment, and then return to DOL the next year to renew their registration—and DOL could not require payment of the outstanding installments before issuing registration for the new year.

An amendment to State statute to allow DOL to withhold registration due to unpaid registration taxes and fees could help recover unpaid renewals if there was evidence that non-participants had driven an unregistered vehicle (e.g., a ticket), and would be an essential component of implementing a payment plan system.

- **For payment plan participants:** DOL would require a payment plan participant to finish paying all installments of a previous payment plan before renewing their vehicle's registration.
- **For vehicle owners without a payment plan:** Before renewing a non-participant's registration for an upcoming registration cycle, DOL would require the vehicle owner to pay for the previous year's registration taxes and fees if the individual had received a fine or citation for having an unregistered vehicle during that year. In this case, the fine or citation would serve as proof that the non-participant's vehicle was illegally unregistered for the previous registration cycle. Payment of the previous year's registration would be *in addition* to the vehicle owner's fine or citation. If a non-participant does not renew their registration during an entire registration cycle and does not receive a fine or citation during that time, then attempts to renew their registration during the following cycle, DOL would assume that that individual's vehicle was legally unregistered for the entire year.²⁴

²² See Sound Transit website: <https://www.soundtransit.org/get-to-know-us/paying-regional-transit> (accessed January 27, 2022).

²³ If a vehicle is not driven for the year and/or only driven on private roads, the owner would not owe any taxes and fees.

²⁴ Vehicles can be unregistered if they are not driven or parked on public highways.

14. Collect outstanding payments on missed installments and ensure this information is included on a vehicle owner's invoice. A payment plan would need to track and recognize any outstanding payments that a vehicle owner might owe on previous installments. For example, if a vehicle owner were to opt into a quarterly payment plan, pay the first quarter's installment, and then miss the second quarter's installment, that information would need to be easily available to an agent or subagent (or to the vehicle owner using License eXpress) if the vehicle owner were to interface with the system in the third or fourth quarters or the next year. According to DOL, the DRIVES system tracks any shortage on the total amount owed by an individual, so if a payment plan were implemented, any shortage from a vehicle owner would appear on that individual's DRIVES record. Any agent, subagent, or DOL staff person would see the amount owed when viewing an owner's account. DOL would need to adjust customer invoicing and/or the License eXpress customer portal to ensure that vehicle owners could access the same information.

For enforcement purposes, it would be important for Washington State Patrol or local law enforcement to view the expiration date of the current installment when running the plates of a vehicle. This would need to be worked out during program design including consultation with law enforcement.

15. Require a payment plan participant to pay all the installments of the plan, even if they move out of Washington or sell their vehicle within the year for which they've already enrolled in a payment plan. This would avoid disparate treatment between vehicle owners who pay annually and those who participate in a payment plan.²⁵

16. Do not pursue collections. Collections aim to reduce revenue loss by engaging a third-party collections agency to collect unpaid payments from customers who are delinquent. Currently, DOL does not send vehicle owners to collections for unpaid taxes and fees. Given that eligibility for payment plan participation would be limited to vehicle owners with low incomes, pursuing collections would likely perpetuate the cycle of poverty. DOL and other jurisdictions that receive revenue from registration taxes and fees may need to anticipate and budget for some level of non-payment (i.e., foregone revenue) if a payment plan were implemented.

Payment Timing

17. Collect installment payments during the year following the registration renewal date, rather than in advance. Allowing a vehicle owner to make installment payment in advance of their renewal date (e.g., in a "wallet" approach, which would allow a vehicle owner to pay on their own schedule into an account designated for their registration taxes and fees) would present a challenging situation if this vehicle owner were to only pay a partial amount before their renewal date. In such a case, DOL would need to determine whether it would deny this vehicle owner's registration renewal, offer a partial year of registration, offer the registration with an option for the vehicle owner to continue making payments during the coming year, or refund the vehicle owner's money. Any of these options could add administrative costs or negatively impact the customer experience. Instead, if DOL were to offer all renewal materials (e.g., year-long vehicle tab stickers or a registration certificate) up front

²⁵ Currently, vehicle owners pay registration taxes and fees up front for the coming year. If a vehicle owner moves out of state or sells their vehicle during the year for which they've already paid registration taxes and fees, they are typically not reimbursed. For exceptions, see the Appendix.

and gather payment installments over the following year, it could avoid this situation entirely. While a post-pay design would create some risk of delinquency, we offer options to address this risk in the Outstanding Payments section.

18. Consider tradeoffs between different frequencies of payment installments. This study primarily considered quarterly and biannual frequency of payment plan installments. Exhibit 17 illustrates some of the tradeoffs between each frequency, which include:

- *Size of Installment Payment.* Smaller payments are more manageable for households with low incomes.
- *Administrative cost.* Higher costs for DOL would result in higher fees for the vehicle owner.
- *Likelihood of missing a payment.* A higher number of payments creates more opportunities for a participant to miss a payment.

DOL notes that implementing an autopay system, which could make more frequent payments less onerous for the customer, would require significant funding (see Risks of Revenue Loss section).

Exhibit 17. Tradeoffs between Quarterly and Biannual Installments

	Quarterly (4x annually)	Biannually (2x annually)
Smaller installment payment	✓	
Lower administrative cost		✓
Lower likelihood of participants missing a payment		✓

Source: BERK, 2022.

19. Consider standardizing the due date of payment plan installments. Currently, a vehicle owner’s payment for their registration taxes and fees is due on the date of anniversary of when they first registered their vehicle. Therefore, if a household or individual owns multiple vehicles (e.g., some combination of cars, boats, and motorcycles), registration taxes and fees for each vehicle may be due at different times during the year, as shown for a hypothetical three-vehicle household in Table A in Exhibit 18.

If an owner of multiple vehicles were to enroll in a payment plan and installment payments for each vehicle were due based on that vehicle’s original date of renewal, it is possible that this vehicle owner would frequently pay installments. For example, our hypothetical household could owe installment payments every month of the year under a quarterly payment plan, as shown in Table B of Exhibit 18. While this could benefit participants by distributing the cost of their registration taxes and fees across the year, it could also be inconvenient for participants to make such frequent payments, as the system does not currently support autopay (see the section on Administration for more information). A high frequency of installment due dates would also create a higher administrative cost and make it more challenging for a vehicle owner to track due dates and amount owed. One potential solution to this issue would be to offer a biannual payment plan instead of a quarterly payment plan, which would create a more manageable six annual payments for our hypothetical three-vehicle household as shown in Table C of Exhibit 18.

The potential for customer inconvenience and high administrative costs could also be reduced if DOL were to establish a standard due date of payment plan installments for all participants, such as the first days of the month in January, April, July, and October for a quarterly payment plan.²⁶ However, standardization could also increase the amount due on installment due dates for owners of multiple vehicles, which in some cases would effectively negate the intended outcome of reducing lump-sum payments through a payment plan. Table D shows that under a quarterly payment plan, our hypothetical household would pay four annual payments under such a system—and while these lump-sum payments would each be slightly less than this household’s payments without a payment plan (Table A), they are not significantly different. Under a biannual payment plan (Table E), our hypothetical household would pay higher lump-sum payments than without a payment plan at all.

Notably, the hypothetical household shown in Exhibit 18 has registration renewal dates that are currently spread evenly across the year. If the renewal dates for all of this household’s vehicles were all around the same time of year, such as two vehicles in in April and one in May, the scenarios shown in Tables A, B, and C would be quite different: in Table A, the household would pay all three annual payments, summing \$600, within a period of two months; and in Tables B and C, the household would make larger payments (for two vehicles) in some months, and smaller payments (for one vehicle) or no payments in other months.

DOL would need to consider whether standardized due dates would be a desirable design model given the tradeoffs between reducing administrative costs, reducing the size of lump-sum payments, and increasing convenience for vehicle owners.

Revenue Distribution

- 20. Distribute revenue from each installment proportionately to Sound Transit, DOL, and jurisdictions collecting TBDs.** This would prevent any one agency or district from being disproportionately impacted by any vehicle owners who do not pay all the installments of their payment plan. Revenue does not include fees that are associated with the administrative costs of collecting registration taxes and fees, which would be collected up front at the time of the first installment (see the section on Fees for more information).

²⁶ To do this, DOL could adjust the registration due dates for a vehicle owner so that their vehicles all renewed on standard dates, per [RCW 46.16A.025](#).

Exhibit 18. Registration Taxes and Fees for a Hypothetical Three-Vehicle Household without a Payment Plan and with a Quarterly or Biannual Payment Plan without and with Standardized Due Dates

Overview of Vehicles in Hypothetical Three-Vehicle Household

	Vehicle 1	Vehicle 2	Vehicle 3
Registration Taxes and Fees	\$250	\$150	\$200
Renews on	January 14	May 7	September 30

A. Registration Taxes and Fees without a Payment Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Vehicle 1	\$250.00											
Vehicle 2					\$150.00							
Vehicle 3									\$200.00			
Total due	\$250.00	\$0	\$0	\$0	\$150.00	\$0	\$0	\$0	\$200.00	\$0	\$0	\$0

B. Registration Taxes and Fees with a Quarterly Payment Plan without Standardized Due Dates

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Vehicle 1	\$72.25*			\$59.25			\$59.25			\$59.25		
Vehicle 2		\$34.25			\$47.25*			\$34.25			\$34.25	
Vehicle 3			\$46.75			\$46.75			\$59.75*			\$46.75
Total due	\$72.25	\$34.25	\$46.75	\$59.25	\$47.25	\$46.75	\$59.25	\$34.25	\$59.75	\$59.25	\$34.25	\$46.75

C. Registration Taxes and Fees with a Biannual Payment Plan without Standardized Due Dates

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Vehicle 1	\$131.50*						\$118.50					
Vehicle 2					\$68.50*						\$81.50	
Vehicle 3			\$93.50						\$106.50*			
Total due	\$131.50	\$0	\$93.50	\$0	\$68.50	\$0	\$118.50	\$0	\$106.50	\$0	\$81.50	\$0

D. Registration Taxes and Fees with a Quarterly Payment Plan with Standardized Due Dates

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Vehicle 1	\$72.25*			\$59.25			\$59.25			\$59.25		
Vehicle 2	\$34.25			\$34.25			\$47.25*			\$34.25		
Vehicle 3	\$46.75			\$46.75			\$46.75			\$59.75*		
Total due	\$153.25	\$0	\$0	\$140.25	\$0	\$0	\$153.25	\$0	\$0	\$153.25	\$0	\$0

E. Registration Taxes and Fees with a Biannual Payment Plan with Standardized Due Dates

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Vehicle 1	\$131.50*						\$118.50					
Vehicle 2	\$68.50*						\$81.50					
Vehicle 3	\$106.50*						\$93.50					
Total due	\$306.50	\$0	\$0	\$0	\$0	\$0	\$293.50	\$0	\$0	\$0	\$0	\$0

*The initial renewal payment would include a total of \$13.25 in fees associated with the administrative costs of collecting registration taxes and fees (\$8.00 Service Fee, \$4.50 County Filing Fee, \$0.50 DOL Service Fee, and \$0.25 License Plate Technology Fee) and 50% (for a biannual plan) or 25% (for a quarterly plan) of the remainder of the registration taxes and fees. For simplicity, this illustration does not include potential additional service fees that could be associated with a payment plan.

Source: BERK, 2022.

Appendices

Appendix A: Vehicle Licensing System Overview

What is the vehicle licensing system?

The current vehicle licensing system exists to carry out vehicle registrations and certificate of title transactions and to collect associated fees. The system includes both the actors (e.g., agents and subagents) and the software (DRIVES). Agents and subagents process transactions on behalf of the State and collect service and filing fees. DOL transfers the fees to the State Treasurer for deposit to the designated State and local accounts. DOL also processes some transactions. DRIVES is the software system that serves as the backbone for data management, transactions, and reporting.

Why doesn't the State provide vehicle licensing services directly?

The State originally authorized subagents in 1937, when it would have been inefficient for the State to collect licensing fees directly. At the time, collection of licensing fees required geographic proximity to a population distributed more sparsely across the state. Authorizing counties and subagents to process transactions on behalf of the State was an efficient and rational model that endures today, with DOL, agents and subagents administering the vehicle licensing system.

Today, more people live within a 30-minute drive of a subagent office than within a 30-minute drive of a DOL office. Using drive time as an informal accessibility level of service standard, the subagent system brings a higher level of service to state residents than Washington's existing network of DOL offices, which currently only provide driver license services.

What are the purposes of the system?

1. **Maintain safety:** Document legal ownership of vehicles
2. **Offset costs:** Collect funds from road users to maintain the road system
3. **Collect revenue:** Collect revenue for other transportation purposes

Glossary

Agent: For the purposes of entering into the standard contract required under RCW 46.01.140(1), any county auditor or other individual, government, or business entity other than a subagent that is appointed to carry out vehicle registration and certificate of title functions for the Department of Licensing (DOL) (RCW 46.04.014). Agents are sometimes referred to as county auditors in legislation (and in this report) even though King County's licensing is done by Records and Licensing Services and not the Auditor's Office.

Customers: Individuals and businesses (including auto dealerships) that own vessels or vehicles that require titling, registration, and other vehicle licensing services.

DRIVES: DRIVES is the software system that serves as the backbone for data management, transactions, and reporting.

Subagency: The licensing offices in which vehicle title and registration functions are carried out by a subagent (RCW 46.04.574).

Subagent: A person or governmental entity recommended by a county auditor or other agent and appointed by the director of DOL to provide vehicle registration and certificate of title services under contract with the county auditor or other agent (RCW 46.04.575). The Legislature first authorized subagents (sometimes referred to as appointees) to assist county auditors and DOL with vehicle licensing and titling in 1937.

Vehicle Licensing Office (VLO): The location/facility where the respective agent or subagent carries out the duties set forth in the 2020 Agent and Subagent Contracts. VLO may further be qualified as being an agent VLO or subagent VLO (2020 Agent and Subagent Contracts).

Appendix B: Proviso

The following text is the proviso that appropriated funds for this study and provided guidance on the study structure.²⁷

(1)(a) \$250,000 of the motor vehicle account—state appropriation is for the joint transportation committee to convene a vehicle registration payment work group to study and recommend new options for payment of vehicle fees or taxes due at the time of application for vehicle registration.

(b) The work group must consist of, but is not limited to, the following members: A representative of the department of licensing, a representative of county auditors, a representative of subagents, a representative of local taxing authorities imposing a fee or tax due at the time of application for vehicle registration, a representative of a city offering or considering a rebate program for vehicle fees or taxes due at the time of application for vehicle registration, a representative of vehicle owners subject to a motor vehicle excise tax, a representative of vehicle owners subject to an electric car or transportation electrification fee, and an advocate for multimodal transportation options. Work group members are eligible for reimbursement or allowance for expenses pursuant to RCW 43.03.220.20.

(c) The work group must engage with members of the public who are interested in new options for payment of fees or taxes due at the time of application for vehicle registration, including persons from communities of color, low-income households, vulnerable populations, and displaced communities. Input from members of the public must inform the work group's recommendations. The work group must notify members of the public of opportunities to engage through a variety of communication channels including, but not limited to, the following: Outreach through community organizations, print and broadcast media, and social media.

(d) The work group's recommendations must include, but are not limited to, the following:

(i) Options to provide or encourage rebates to vehicle owners who pay taxes and fees due at the time of application for vehicle registration;

(ii) An agreed upon service fee structure for vehicle registration payment plans;

(iii) An agreed upon service fee revenue allocation method;

(iv) A process to allow agents and subagents to determine if a vehicle owner has paid all taxes and fees due prior to renewal of a vehicle registration;

(v) Options for reducing revenue loss due to missed payments, transfer of the certificate of title, or registration of a vehicle out of state; and

(vi) Options to reduce impacts to communities of color, low-income households, vulnerable populations, and displaced communities.

(e) A report of the work group's findings and recommendations is due to the transportation committees of the legislature by September 30, 2022.

²⁷ Substitute Senate Bill 5156, 2021 Regular Session. See more at: <https://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/Senate/Passed/Legislature/5165-S.PL.pdf> (accessed September 28, 2022).

Appendix C: DOL Payment Plan Report

This study builds on significant previous work to consider payment plans. In December 2020, DOL submitted a report to the Legislature describing how a vehicle registration payment plan could be structured to fit within the vehicle licensing system and the estimated impacts of implementation. In this report, DOL outlined a sample payment plan with:

- Monthly or quarterly installments at the vehicle owner’s discretion.
- Options to pay through DOL’s website, by mail, or at a vehicle licensing office (VLO).
- No additional service (\$8.00) and filing (\$4.50) fees. These fees, along with the license service fee (\$0.50) and license plate technology fee (\$0.25), would not be part of the payment plan. Instead, they would be collected in their entirety up front with the initial installment and not with each subsequent installment.
- Delivery of all standard renewal materials (i.e., year-long vehicle tab stickers or registration certificate) to vehicle owners up front with payment of the initial installment. This would streamline transactions for future installments as the only remaining task would be to collect payment.

DOL estimated revenue loss based on assumptions about the number of vehicle owners that would move out of state or sell their vehicles before paying all installments of their payment plan. DOL also estimated administrative costs related to modifications needed in the DRIVES system to allow for quarterly payments. The agency estimated combined revenue loss and administrative costs of \$11.8 million in the 2021-2023 biennium and \$26.6 million in the 2023-2025 biennium. Details are summarized in Exhibit 19. DOL does not know how many vehicles in Washington are unregistered, and it is unclear if and how introduction of a potential payment plan would impact the proportion of Washington vehicles that are unregistered.

DOL also identified potential options to reduce the administrative costs and revenue loss, such as only offering quarterly payments or including a minimum threshold of \$200 for participation, which would limit total participation.

Exhibit 19. DOL Revenue loss and administrative cost estimates

Impact	2021-2023 Biennium	2023-2025 Biennium
Revenue loss* to the State	\$9 million	\$22.5 million
Administration costs for DOL	\$2.8 million	\$4.1 million
Total impact	\$11.8 million	\$26.6 million

Notes: *Revenue loss is based on DOL assumptions about vehicle owners moving out of state or selling their vehicle mid-year. It does not include impacts from potential increase in the number of either dishonored checks/ACH payments or late/delayed registration payments.

Source: DOL, Vehicle Registration Payment Plans, December 2020.

The report included comments from the Washington Association of Vehicle Subagents, and the Washington State Association of County Auditors. General comment themes from both groups included:

- There would be a need for a public education or media campaign, especially if the payment plan were not offered statewide.
- A payment plan would likely result in more calls or emails from vehicle owners.
- Payment plans with a fixed number of installments rather than offering vehicle owners a choice between monthly and quarterly installments would minimize confusion.

Agents recommended a \$4 convenience fee each quarter to cover costs of additional staffing and time spent on transactions for either agents or subagents. Subagents noted they would consider a lower convenience fee for installments after the first installment.

Appendix D: Survey Methodology

Between March 8 and April 8, 2022, the Vida Agency (TVA) administered a digital survey to gather stakeholder opinions on payment options for registration taxes and fees. Survey takers provided input on their past experiences renewing their registration taxes and fees and feedback on different payment options and optional fee amounts.

The survey was transcreated into Spanish, Vietnamese, and Chinese (Simplified and Traditional) and administered through Qualtrics. The survey gathered 964 valid responses from individuals and businesses (including auto dealerships) that own vessels or vehicles that require titling, registration, and other vehicle licensing services in Washington State.²⁸

To incentivize participation, respondents could enter into a prize drawing by providing their contact information. After the survey closed, the study team randomly selected 10 respondents to each receive a \$150 Visa gift card.

Survey Distribution and Promotion

The survey was available for four weeks with a focus on priority audiences as shown in Exhibit 20.

Exhibit 20. Priority Audience Characteristics and Final Survey Results

Audience Characteristic	Survey Results
Lives in Washington State	100% (964) of respondents live within Washington State, with 64% (615) having lived in the state for more than 20 years.
BIPOC customers	29% (276) are Black, Indigenous, People of Color, or identify as more than one race/ethnicity.
Low-income households	23% (222) of respondents report having household income of \$60,000 or less.
Members of Tribal Nations	1% (9) of respondents identify as Indigenous/First People of the Americas.
Speaks English as a second language	4% (39) of respondents speak another language other than English in their household.

Sources: TVA, 2022; BERK, 2022.

TVA and Workgroup members promoted the survey through the channels described below.

Digital display banner ads in English, Spanish, Vietnamese, and Chinese (Simplified and Traditional)

Digital display ads engage audiences where they already are online, on both desktop and mobile. TVA's display ad campaign targeted audiences by language using the following tactics:

- **Geofencing** draws a digital “fence” around a specific address and serves ads to devices that are in, enter, or pass through the area. For this campaign TVA geofenced DOL offices and places vehicle tabs could be purchased.

²⁸ The results were filtered for bots using Google's reCAPTCHA technology, Imperium's RelevantID®, and geo-location through GeoIP. Invalid responses as flagged by these services were removed from the survey analysis.

- **Audience targeting** uses demographic layers to our target key demographic info. For this campaign TVA targeted known drivers.
- **Device ID Lookback targeting** serves ads to people that have visited a certain geographic location at a specific, or multiple specific points in time. For this campaign, TVA targeted devices that had visited fueling or charging stations at a high frequency in the last two months.

Overall, the campaign received over 1.5 million impressions (i.e., the number of times an ad is displayed on a screen) that led to over 5,000 clicks (i.e., the number of times an ad is clicked on) across four languages. The overall click-through rate (CTR; i.e., clicks divided by impressions) of 0.31% is well above the national average of around 0.10-0.18% CTRs. Of the tactics employed, Device ID Lookback targeting performed the strongest and led to nearly half of the total campaign clicks.

As Exhibit 21 shows, ads in English had the strongest impressions and clicks, closely followed by Vietnamese. English, Spanish, and Vietnamese ads performed above average, while Chinese (Simplified and Traditional) ads had average performance. See Exhibit 23 for screenshots of ads.

Exhibit 21. Digital Display Ad Results by Language

Language	Impressions	Clicks	Click-Through Rate
English	565,847	1,675	0.30%
Chinese	360,561	568	0.16%
Spanish	348,780	1,134	0.33%
Vietnamese	356,990	1,655	0.46%
Totals	1,632,178	5,032	0.31%

Sources: TVA, 2022; BERK, 2022.

Collaboration with community partners

TVA reached out to several key community leaders and partners to offer compensation for support in disseminating the survey via social media, newsletters, text, and email. Three organizations agreed to provide outreach support: Black Stax, Community Network Council, and El Centro de la Raza. These partners helped generate around 200 leads and 14 survey completes that can be directly attributed to their distribution efforts. TVA provided partners with briefings, info packets, talking points, and an overview of roles and responsibilities.

Traditional print and broadcast media outlets

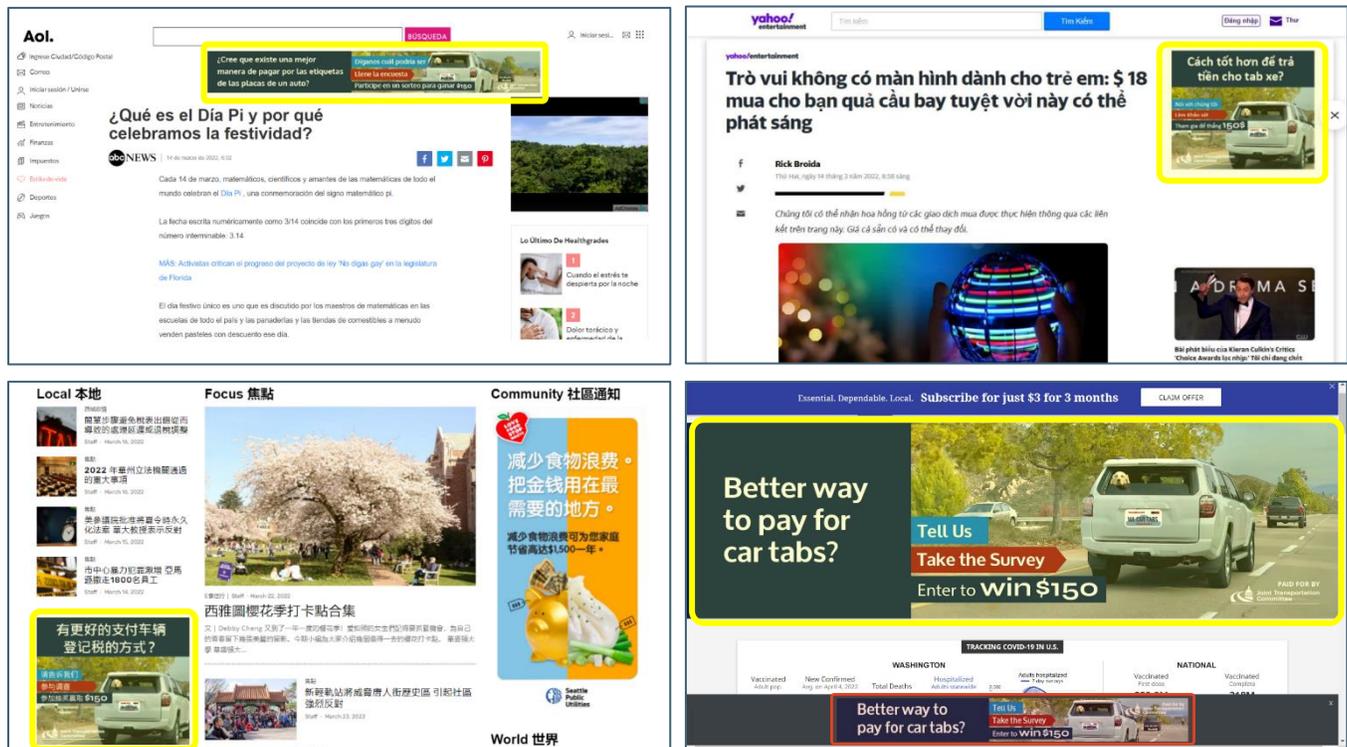
TVA engaged six local and multicultural media outlets that serve the priority respondents with paid advertising to share the survey with their audiences. See Exhibit 22 for the media outlets engaged and their audiences and Exhibit 23 for screenshots of ads. Overall, these ads generated 318 clicks (i.e., the number of times an ad is clicked on). Mainstream local outlets, the Bellingham and Yakima Herald, had the highest reach (i.e., the number of people who will potentially see the ad) and generated the most clicks.

Exhibit 22. Media Outlets and Engagement

Outlet	Language	Monthly Reach	Clicks
NW Vietnamese News	Vietnamese	8077	12
Seattle Chinese Times	Simplified Chinese	40,000	10
Seattle Chinese Post	Simplified Chinese	10,000	28
El Siete Dias	Spanish	15,000	6
Bellingham Herald	English	904,000	167
Yakima Herald	English	402,000	95
TOTAL			318

Sources: TVA, 2022; BERK, 2022.

Exhibit 23. Screenshots of traditional media and digital display banner ads from (clockwise from upper left): AOL (in Spanish), Yahoo News (in Vietnamese), the Bellingham Herald, and Seattle Chinese Times



Sources: Seattle Chinese Times, 2022; Bellingham Herald, 2022; NW Vietnamese News, 2022; El Siete Dias, 2022.

Workgroup participants

Workgroups members shared the survey links on their organizations’ social media accounts and email lists. Members representing subagents posted flyers with survey QR codes at in-person counters and subagent storefronts.

Appendix E: Passenger Vehicle Data

Our analysis used a dataset of all passenger vehicles with a gross weight rating of less than 10,000 pounds registered in the state of Washington as of July 2021. This dataset, originally from DOL, was provided to BERK by CDM Smith with permission from DOL and included records for over 6.7 million vehicles.

The vehicle records in this initial dataset included only the vehicle identification number (VIN) and the census tract in which the vehicle was registered. CDM Smith staff then used an online VIN decoder to identify the vehicle make, vehicle model, model year, manufacturer's suggested retail price (MSRP), vehicle weight class, and electric or hybrid engine status. Neither the original dataset nor the enhanced dataset contained any personally identifiable information about vehicle owners.

While the VIN decoder was able to identify these characteristics for most vehicles in the dataset, the VIN decoder was unable to decode complete characteristics for all vehicles. Approximately two-thirds of vehicles returned all three of MSRP, vehicle weight class, and hybrid/electric status, while one-third were missing one or more of these variables.

In addition, approximately 1% of records in the original dataset were missing the census tract in which the vehicle is registered. In total, 34% of vehicle records (approximately 2.3 million vehicles) in the dataset were missing one or more data fields which prevented us from calculating the estimated total vehicle registration taxes and fees for the vehicle. Thus, we excluded these vehicle records from our analysis. We were able to calculate estimated total vehicle registration taxes and fees for nearly 4.5 million vehicles, 2.8 million registered outside the RTA and 1.7 million registered inside the RTA.

To estimate total vehicle registration taxes and fees for each vehicle we summed the following:

- The base fees of \$43.25, applicable to all vehicles.
- A weight fee of \$25 to \$72 depending on the weight class of the vehicle, as determined by the VIN decoder.
- A TBD fee of \$0 to \$40 depending on the census tract in which the vehicle was registered. There are 60 cities across Washington State which have a TBD with a vehicle license fee. While we did not have city (or full address) information on registered vehicles, we used the census tract in which the vehicle was registered to approximate location. If a census tract had 10% or more geographic overlap with a TBD city, we counted vehicles registered in that census tract as being in the TBD. We then added the TBD fee (\$10, \$20, \$25, \$30, or \$40, depending on the TBD) to the total for these vehicles.
- An electrification fee of \$75 for electric and hybrid vehicles and an electric vehicle fee of \$150 for electric vehicles depending on the vehicle's electric, hybrid, or general status, as determined by the VIN decoder.
- The Sound Transit Motor Vehicle Excise Tax (MVET) depending on whether or not the vehicle was registered in the Sound Transit RTA and, if so, the MSRP and age of the vehicle. While we did not have city (or full address) information on registered vehicles, we used the census tract in which the vehicle was registered to approximate location. If a census tract had 10% or more geographic overlap with the RTA, we counted vehicles registered in that census tract as being in the RTA. We

then estimated the MVET using the original MSRP for that vehicle model, as determined by the VIN decoder, and the age of the vehicle (2021 minus the vehicle model year).

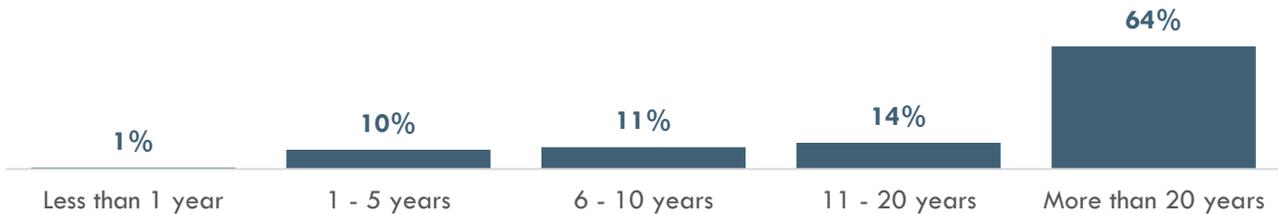
- We did **not** include credit and debit card fees in our estimates, as these fees vary by the method a vehicle owner chooses to pay their registration taxes and fees and there is no data available on a vehicle owner's registration payment total, their income, and their likelihood of choosing a debit or credit card as a payment method. Thus, we are unable to estimate which vehicle owners would choose to pay via credit or debit card and thus incur these fees. Furthermore, credit and debit card fees make up a proportionally small amount of the vehicle registration total.

For the income analysis, we matched each vehicle record to the median income for the census tract in which the vehicle was registered, using the 2016-2020 American Community Survey 5-year estimates of median income. There were 15 census tracts across the Washington for which an estimated median income was unavailable in the ACS 5-year estimates, so we excluded from our analysis the 4,920 otherwise complete vehicle records in our dataset that were registered to addresses in these census tracts. See the descriptions of Exhibit 4 and Exhibit 5 for an explanation of how we used median income estimate in our analysis.

Appendix F: Survey Respondent Demographics

Exhibit 24 shows respondents' length of residency in Washington. About two-thirds of respondents have lived in the state for more than 20 years, about one quarter have lived in the state for six to 20 years, and about one-tenth have lived in the state for less than five years.

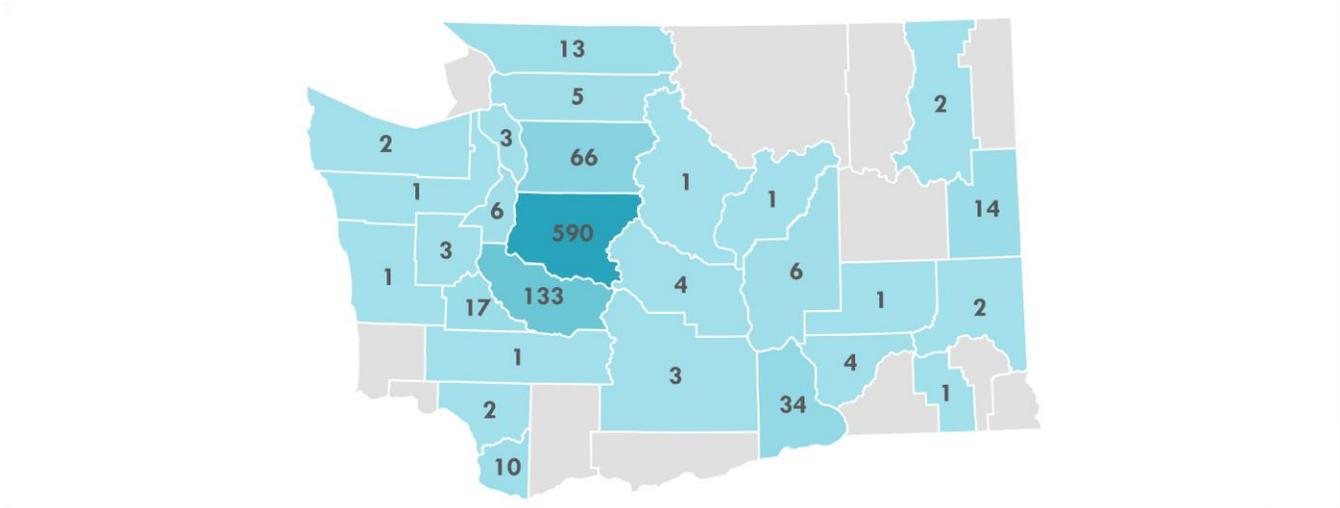
Exhibit 24. Respondent Length of Residency in Washington (n = 961)



Sources: TVA, 2022; BERK, 2022.

Exhibit 25 shows respondents' counties of residence. The highest concentration of survey respondents is in King, Pierce, and Snohomish counties, the three counties that include the RTA.

Exhibit 25. Respondent County of Residence (n = 926)

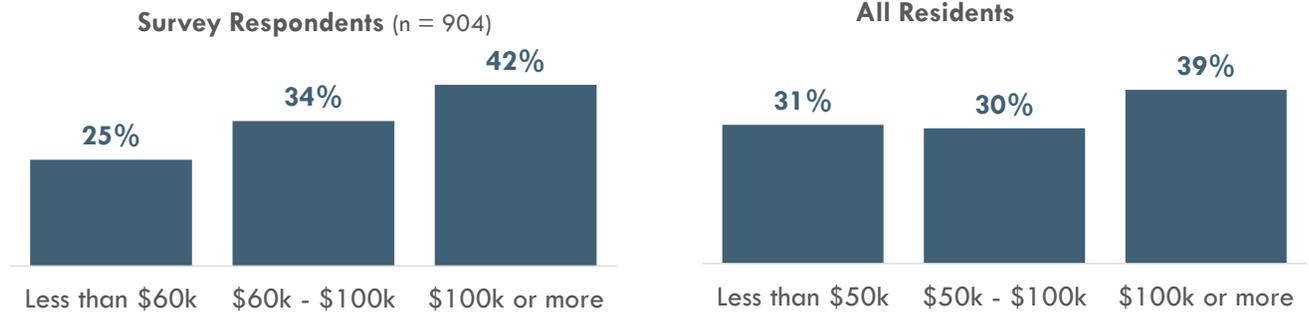


Sources: TVA, 2022; BERK, 2022.

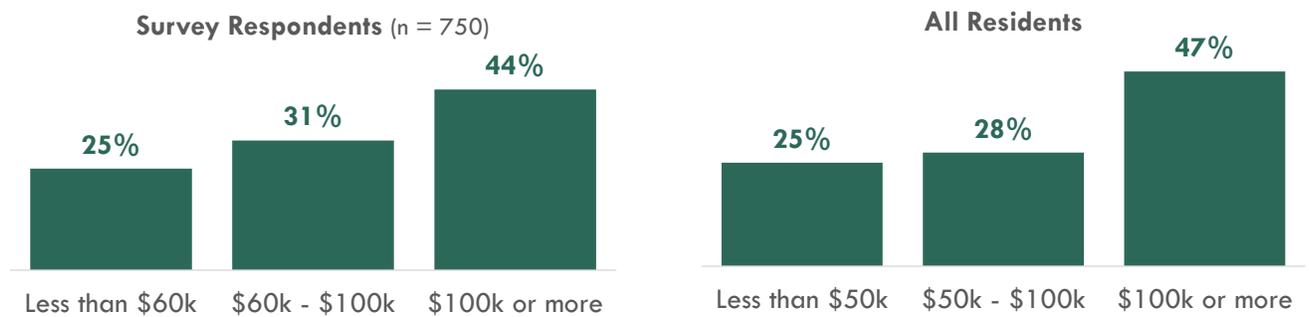
Exhibit 26 shows the income distribution of survey respondents and households in Washington State. Note that the income brackets differ slightly between the survey data and Washington State population data. The overall income distribution of survey respondents, shown in the first row of the exhibit, is similar to that of the statewide population, though survey respondents with lower incomes are slightly underrepresented and survey respondents with middle-incomes are slightly overrepresented. The lower two rows of the exhibit disaggregate respondents by their location inside or outside King, Pierce, and Snohomish counties, the three counties that contain the RTA. The income distribution of survey respondents in these three counties reflects the greater population, while outside these three counties, survey respondents with low incomes are underrepresented and respondents with middle incomes are overrepresented.

Exhibit 26. Household Incomes of Respondents and Washington Residents, Disaggregated by County Group

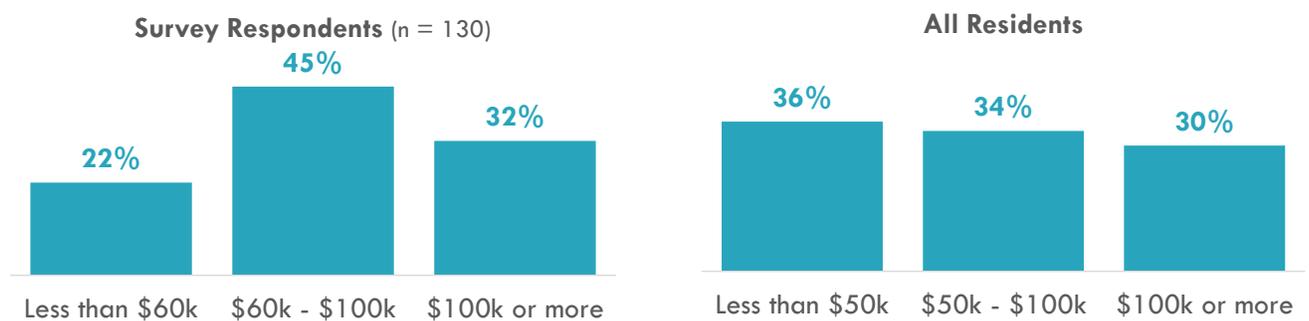
Washington State



King, Pierce, and Snohomish Counties



All Other Counties

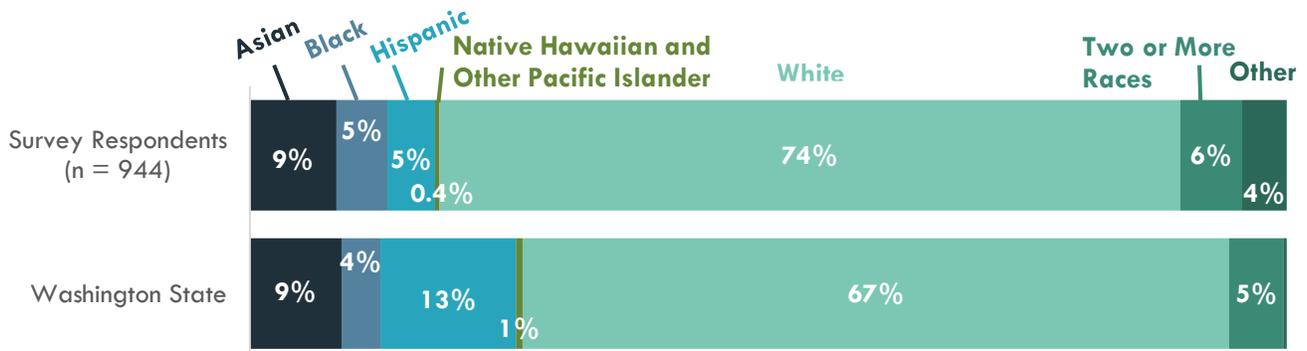


Note: Income categories are different between survey data and Washington State population data (from the American Community Survey).

Sources: TVA, 2022; U.S. Census Bureau American Community Survey, 2019; BERK, 2022.

Exhibit 27 shows the race(s) and ethnicity(ies) of respondents and Washington residents. The racial and ethnic demographics of survey respondents mostly match that of Washington residents, with a slight overrepresentation of White respondents and a slight underrepresentation of Hispanic respondents.

Exhibit 27. Respondents' and Washington Residents' Self-Identified Race(s) and Ethnicity(ies)

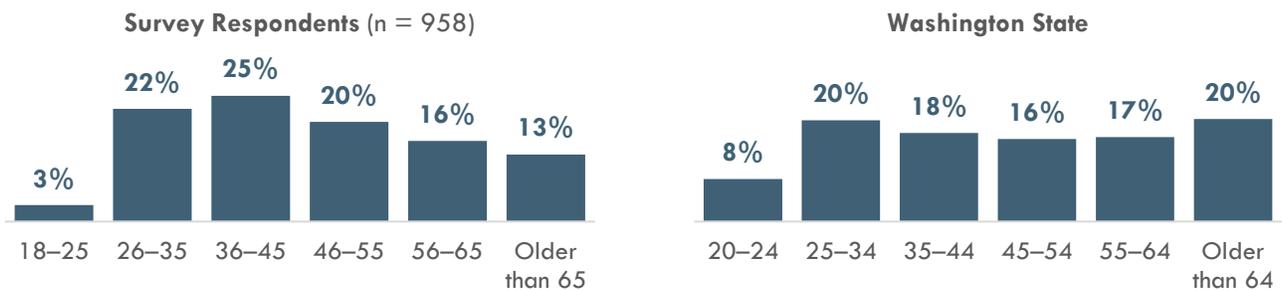


Note: The percentages for Hispanic respondents and residents include individuals who identify as Hispanic or Latino of any race. Other than this group and the group that identifies with “two or more races” the above chart shows percentages of people who identify with only one race or ethnicity as shown in the chart.

Sources: TVA, 2022; U.S. Census Bureau American Community Survey 2020; BERK, 2022.

Exhibit 28 shows the age distribution of survey respondents and Washington residents. Note that the age brackets differ slightly between the survey data and Washington State population data. Survey respondents underrepresent older adults and overrepresent younger adults.

Exhibit 28. Age Distribution of Respondents and Washington Residents



Note: Percentages for Washington State are calculated using the population aged 20 and older as the total.

Sources: TVA, 2022; U.S. Census Bureau American Community Survey, 2020; BERK, 2022.

English is the primary language spoken in most (96%) survey respondents' households.

Appendix G: Analysis of Survey Comments

Overview

The survey offered five open-ended opportunities for respondents to explain their opinions and choices:

1. The "Other (Please Specify)" option for the question "What, if anything, was difficult about the car tabs renewal process?" (59 comments)
2. The open-ended question "Did you experience any other issues when paying for your car tabs?" (166 comments)
3. The "Other (Please Specify)" option for the question "Why did your car tabs expire before you were able to renew them?" (32 comments)
4. The "Other (Please Specify)" option for the question "Have you ever received a fine or ticket for having expired car tabs?" (28 comments)
5. The open-ended question "Do you have any additional comments or feedback regarding payment options?" (283 comments)

Of the survey respondents, 372 respondents provided a total of 568 qualitative responses to these five questions. The following sections summarize common themes and notable ideas that respondents provided in their responses. These sections include excerpts from some comments that effectively represent the themes or present notable insights.

Potential Quarterly Payment Plan

The survey gathered input from 119 respondents about a potential quarterly payment plan in response to the question "Do you have any additional comments or feedback regarding payment options?" Of these 119 respondents, 18 indicated in a separate multiple-choice survey question that they would use the quarterly payment option if available.

Pros and Support for a Potential Quarterly Payment Plan

Comments supporting a potential quarterly payment plan generally reflected a single theme:

1. **The quarterly payment option would offer more flexibility and affordability.** Some respondents wanted this option for themselves, and others wanted it as an option for others who struggle with the lump-sum payments. Some of these latter respondents also wanted to help pay fees associated with a payment plan to provide additional support for individuals struggling with lump-sum payments.

"I would like others with less income to have the quarterly option, but for me it is not necessary."

"I can afford it now, but I would have used quarterly payments when I couldn't afford it. Everyone should share the fees for payment options - otherwise you're just charging people for being poor."

Cons and Opposition to a Potential Quarterly Payment Plan

Comments expressing concerns about a potential quarterly payment plan generally reflected three themes:

1. **A quarterly payment plan could be helpful for low-income families, but additional fees defeat the purpose or would make the plan undesirable.** Many respondents with this opinion supported a potential quarterly payment plan before knowing there would be a fee.

"There really shouldn't be a fee for quarterly payments because it disproportionately affects people living in poverty and rewards the people that can afford to pay annually. [...] Please don't add a Poor Peoples' Tax to an otherwise helpful arrangement. It's unethical and inequitable."

"If the point of allowing people to pay quarterly is to make it easier for low-income people to pay for their tabs, adding fees for this doesn't make sense. The overall administrative cost should be spread out so richer people who can pay yearly (like me) help out. I also think a quarterly option will just be a hassle and result in more cars with expired tabs. Instead find a way to subsidize the cost so people on food stamps, Section 8 and similar programs can get tabs for free."

2. **There is no need for a quarterly payment plan,** either because the cost of renewal isn't high enough to warrant a payment plan or because some respondents felt that people shouldn't need help paying for their renewal.

"My old car is so puny... that I would never want to deal with the fuss of making multiple payments. My new vehicle has a much higher tab renewal, but it also won't break-the-bank. When I/we had 4 vehicles, including a Corvette, I may have answered some of these questions differently."

"Moving to a quarterly system is a waste of time, will make extra work and cost. People should open a savings account and plan ahead."

"If one has trouble paying for car tabs then perhaps one should not own a car."

3. **A quarterly payment plan would create more trouble than it's worth,** especially because an increased number of payments requires more effort and creates more chances to forget or make errors.

"[I currently] pay tabs on 2 cars, 2 motorcycles, a motorhome, and a boat (which has sat in the garage for years now). Quarterly payments would make it even more of a hassle to pay. As it is, I'm buying tabs every other month."

"Payment plan seems way more difficult to upkeep, more likely to miss your payment plan, and more likely to be detrimental to the people who can least afford it."

Current Vehicle Registration Process

The survey gathered input from 51 respondents about the current vehicle registration process. Respondents provided this feedback in response to two survey questions:

- The "Other (Please Specify)" option for the question "What, if anything, was difficult about the car tabs renewal process?"
- The question "Did you experience any other issues when paying for your car tabs?"

Common themes and notable ideas include:

- **Pick-up and delivery issues**, including difficulties receiving the tabs despite payment.

"My tabs were incorrectly sent to the lien holder of my financed car two years in a row, despite doing everything in my power to prevent it happening this second time."

"I was out of town on an extended business trip. I called customer service / DOL to find out how to get tabs sent to CA where my car and I were working temporarily. The advice ended up with the temporary address on my registration. [...] Sending tabs to a temporary address should be an option on the website. Clearer directions would also be helpful."
- **Long wait times for in-person renewals**, including the impact of the COVID-19 pandemic.

"Not enough service windows when renewing tabs in person. What should be very quick takes much longer waiting because of those with more complicated issues."
- **Challenges visiting a physical renewal location**, including travel time and business hours.

"I find it difficult to pay for some things online, it tends to tell me to go into an office. The state makes things harder than they should be."

"Would love to have someone else be allowed to pick up even with a note."
- **Relatively short registration cycles** create inefficiencies, and a longer cycle would be more meaningful in reducing renewal effort and processing fees.
- **Lack of enforcement** creates inequities in the system.

"I live on a fixed income and manage to pay my tabs. EVERY single day I go out walking or driving I see people with expired tabs on their BMW's Cadillacs Audis sitting in the driveways of multi-million-dollar homes. Today I saw someone driving with tabs that expired in 2020. This is insulting and more needs to be done to fine and collect from these freeloaders."
- **Technology issues**, including navigating the website. A few respondents also noted that their renewals were updated in the DOL system but not in law enforcement's system, leading them to be pulled over.

"Would love a QR code that brings me right to my account where I just have to enter confirmation info (like plate #) to pay."

"We were out of country when the renewal reminder came in and couldn't access the site from abroad."

- **Poor customer service** with the local agent or subagent.

Current Payment System

Seventy-seven respondents provided suggestions to improve the current payment system. Respondents provided this feedback in response to all five open-ended questions. Common suggestions and notable ideas include:

- **Remove fee for credit and debit use.** A few respondents noted that the credit and debit fee deters them from using their cards.
- **Offer more payment methods** at respondents' location of renewal. Accepted payment methods currently differs by location.

"Went to renew tabs only to find vendor wouldn't take any payments other than cash. Had to leave, go to an ATM and come back."

- **Make donations and optional fees opt-in instead of opt-out.**
- **Resolve payment processing issues** with mail and ACH payments. Some respondents noted that this is a particular challenge after moving.

"ACH didn't get through and I had moved from my older apartment and the notice was sent there. Since I wasn't informed about this through Text messages or emails, I was penalized heavily."

- **Offer automatic payments** after first confirming that a vehicle owner still intends to renew.

"It would be a great option to auto-renew. [But send] an email with a survey: do you still own this car, your tabs are \$x, would you like to use card x-1234 to pay for these now?"

- **Waive fees for drivers from vulnerable or disadvantaged communities.**
- **Enhance online billing and payment systems**, including providing more clarity and better tracking of receipts and payments online.
- **Increase the cost of car tabs.** While most comments about the cost of car tabs supported lowering costs, as shown in the final section of this appendix, some respondents suggest raising the costs of car tabs to discourage car ownership and pay for vehicles' environmental damage.

Current Reasons for Delayed Renewal

The survey gathered input from 53 respondents about their reasons for delayed renewals. Respondents provided this feedback in response to the following questions:

- The "Other (Please Specify)" option for the question "Why did your car tabs expire before you were able to renew them?"
- The "Other (Please Specify)" option for the question "Have you ever received a fine or ticket for having expired car tabs?"

- The "Other (Please Specify)" option for the question "What, if anything, was difficult about the car tabs renewal process?"
- The question "Did you experience any other issues when paying for your car tabs? Tell us about it."

Common themes and notable ideas include:

- **Respondents received renewal reminders late or never received them.**

"Single email reminder to renew that was overlooked because it went to an email folder that was infrequently checked."

- **Respondents rarely or never use their vehicle.**

"I was working at sea, and they expired while I was gone. Didn't realize it when I returned home until later."

- **Respondents had challenges visiting renewal locations in person.**

"I waited too long to do it online and be able to have the tabs mailed and had a hard time going in person during their open hours."

- **Respondents forgot about or were unaware of expiration.** Some respondents who noted that they forgot to renew cited this as a reason they would prefer automatic payments. Some respondents had renewed their tabs but had simply forgotten to affix the new tabs to their vehicles.

"I drove maybe 10 days max with expired tabs because I thought they were good till end of that month."

- **Lack of enforcement doesn't incentivize respondents to renew on time or at all.**

"Why bother paying if police can no longer stop you for expired tabs?"

High Cost and Fees Comments

Across the five opportunities for free-form responses, the survey gathered 230 comments about high costs and fees of car tabs. These comments reflected the following themes:

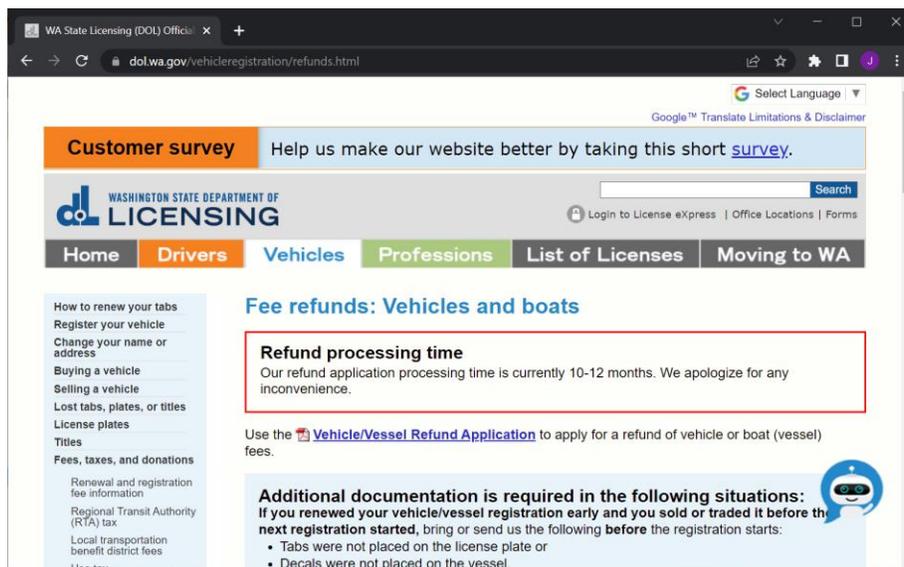
- **High costs and fees.** Many respondents voiced their general displeasure about the high registration taxes and fees. Some noted that consideration of a payment plan indicates an unsustainably high cost of vehicle registration.
- **Prior vote for \$30 car tabs.** Some survey respondents directly mentioned their vote for \$30 car tabs.
- **High Regional Transit Authority (RTA) tax.** Some respondents called out the RTA tax as a pain point for their cost of vehicle registration. Most of these respondents noted that they are paying for a service they won't use or have trouble accessing.
- **Lack of results from the taxes and fees.** These respondents noted that they see minimal impacts given the cost of vehicle registration.
- **Regressive taxation system.** Some respondents believe the current system is regressive and needs to better accommodate those in need.

- **Disincentives for electric vehicle ownership.** Some respondents note that the added fees for electric or hybrid vehicle registration punishes them for being environmentally friendly.
- **Alternate method of calculating costs.** Some comments suggest determining an individual's vehicle registration cost based on their mileage or impact to the roads and environment.

Appendix H: Reimbursement of Registration Taxes and Fees Due to Out-of-State Registration

When a vehicle owner pays to renew their registration, they pay up front for the upcoming year of registration (a “registration period”). Typically, DOL does not refund vehicle owners for unused portions of the registration period, such as due to a vehicle being sold, totaled, or moved out of state. However, there are some situations in which [RCW 46.68.10](#) entitles a vehicle owner to a partial or full refund, described on the [Fee Refund webpage](#) on DOL’s website. As of May 2022, the webpage indicates that refund processing time takes 10-12 months, as shown in Exhibit 29. This significant delay may be a deterrent for some vehicle owners to submit requests for refunds.

Exhibit 29. DOL Fee Refund Webpage



Source: DOL, 2022.

As shown in Exhibit 30, there are three types of cases for which a vehicle owner can request a partial or full refund if they move their vehicle out of state before the registration period concludes. In all three cases, DOL would not refund the service fee (\$8.00), county filing fee (\$4.50), DOL service fee (\$0.50), or License Plate Technology Fee (\$0.25) because these services were provided during the renewal transaction. To receive a refund in these cases, the vehicle owner would need to submit a completed [DOL Vehicle/Vessel Refund Form](#) and provide DOL with proof that the vehicle was registered in another state.

DOL rarely encounters the third scenario, so there is little experience with this situation.²⁹

²⁹ Email correspondence from Jill Johnson, Legislative and Special Project Manager at DOL, to Chloe Kinsey, Associate at BERK, April 20, 2022.

Exhibit 30. Reimbursement Scenarios

Scenario	Refund amount*	Relevant Section from RCW 46.68.10: "1) A person who has paid all or part of a vehicle license fee under this title is entitled to a refund ... if the vehicle:"
1. A vehicle owner renews their registration early in Washington, then moves to a new state before the new registration period begins.	Full	... b) Was permanently removed from Washington state before the new registration period began.
2. A vehicle owner splits their residence between Washington and another state and erroneously registers their vehicle in Washington in addition to the other state.	Partial refund for full months remaining in the registration period	... d) Was registered in another jurisdiction after the Washington state registration had been purchased. Any full months of Washington vehicle license fees remaining after application for out-of-state registration was made are refundable.
3. A vehicle owner moves out of Washington during their registration period.		

*All refund amounts would be less the service (\$8.00) and filing (\$4.50) fees.

Sources: DOL, 2022; BERK, 2022.

Appendix I: Fines, Enforcement, and Late Fees

Fines and Enforcement for Failure to Register or Renew a Vehicle

Fines and enforcement aim to prompt vehicle owners to pay their registration taxes and fees by penalizing vehicle owners without current registration. There are currently several fines in place for failing to register a vehicle in the first place and then renewing thereafter, as shown in Exhibit 31. As described in the text box at right, enforcement agencies collect and keep most of the penalty amount, although a share is remitted to the State General Fund. Assuming the fine leads to registration or renewal, DOL and other agencies involved then receive the “lost” revenue.

Who generates revenue from fines and penalties?

- **Enforcement agency:** The enforcement agency collects and keeps most of the penalties, with the exception of \$8.50 remitted to the State General Fund.
- **State:** If the enforcement action leads to registration or renewal, the State receives the standard revenue from the registration or renewal.

Exhibit 31. Fine Types for Various Infractions Related to Vehicle Registration

Infraction <i>(all from RCW 46.16A.030)</i>	Fine	Details
Failure to initially register a vehicle	\$529	<ul style="list-style-type: none"> ▪ Fine is deposited into vehicle licensing fraud account in state treasury
Registration of vehicle in another state to evade WA taxes and fees³⁰ – first offense	\$1,529	<ul style="list-style-type: none"> ▪ Fines deposited into vehicle licensing fraud account in state treasury ▪ Considered a gross misdemeanor, potentially punishable by up to 364 days in county jail ▪ Fines and jail time increase for subsequent offenses
Failure to renew vehicle registration	Up to \$250	<ul style="list-style-type: none"> ▪ Traffic violation (moving violation or parking violation). Up to \$250 for traffic violations in WA (RCW 46.63.110) ▪ Local law enforcement can impound vehicles with registration more than 45 days expired, if parked on a public street (RCW 46.16A.030)

Source: BERK, 2022.

Vehicle Registration Late Fees

Some states use late fees as a mechanism to encourage on-time vehicle registration and renewals. The design of the late fee likely influences behaviors. For example, if the fee is a \$5 charge, added on the tenth day that you’re late, it suddenly doesn’t matter if you pay on day 11 or day 111—you owe a \$5

³⁰ This solely addresses situations in which a Washington resident registers their Washington-based vehicle in another state to avoid paying local taxes and fees. It does not refer to legitimate reasons why someone may have a vehicle registered in a different state, such as part-time residency in another state.

fee. But, if it's a fee that continues to increase with no cap on the amount, you may be disincentivized from renewing if you're very late, because the fee would be so high.

Below is a summary of our review of vehicle registration late fees in Washington and several other states.

Washington State

In Washington State, there is no fee for late vehicle registration (for either initial registration or renewal), though vehicle owners that fail to register their vehicle are subject to citation and the associated fines (see section above).

For **vehicle titling**, Washington State has a 15-day grace period for title transfer. After 15 days, vehicle owners are subject to a **\$50 late fee**. The fee increases by \$2 for each additional day, up to a **maximum late fee of \$125** ([RCW 46.17.140](#)).

Other States

Washington's neighboring states, Idaho and Oregon, follow similar late fee procedures as Washington State. In both states, there is **no fee for late vehicle registration** (either initial registration or renewal), though vehicle owners are subject to fines if they are cited for failure to register their vehicle or renew their registration.

Across the US, **more than half of states (27 states) have some form of late fee for expired vehicle registration**, in addition to the fines that vehicle owners are subject to if cited for expired vehicle registration. The late fees are collected alongside the registration renewal fees when the vehicle owner completes their vehicle registration renewal.

Of the states with late fees, several offer a **grace period** in which vehicle owners can renew their registration without paying a late fee; these grace periods range from 5 days (Connecticut) to 30 days (Colorado, Ohio). The majority of states with late fees do not offer a grace period—late fees kick in as soon as the registration is expired.

States structure their late fees in a variety of ways, as shown in Exhibit 32. A number of states use **flat fees** that are the same regardless of the total registration fee amount and how many days (or even months) expired the registration is. These fees range from \$5 on the low end (Missouri) to \$20 on the high end (Delaware).

Some states use **graduated fee schedules that increase depending on how late the vehicle owner is with their renewal**. For example, Oklahoma charges \$1 per day that a vehicle registration is expired, up to a maximum of \$100. Colorado charges \$25 for each month that a vehicle registration is late, up to a maximum of \$100.

Other states charge **varying late fees depending on the underlying amount of the vehicle registration renewal cost**. For example, Florida has a schedule of late fines with the late fine determined by the range of license tax that a vehicle owner falls under. An individual whose license tax is less than \$25 will pay \$5 in late fees, while an individual whose license tax is more than \$600 will pay \$250 in late fees. Some states charge a percentage of the total registration amount in late fees—Georgia charges \$5 plus 10% of the registration total.

Some states, like California, have **fee schedules that vary based on both how late the individual is with their renewal and how much the underlying registration amount is**. For example, an individual in

California who is more than 30 days late but less than one year late with their registration renewal would pay \$60 plus 60% of their vehicle license fee.

Exhibit 32. Typology of Late Fees for Vehicle Registration Renewal

Fee Type	States	Highest Fee
Flat fee	Alabama, Connecticut, Delaware, Hawaii, Illinois, Indiana, Michigan, Missouri, Ohio, Virginia, Wisconsin	\$20 (Delaware)
Fee that increases over time	Arizona, Arkansas, Colorado, North Carolina, Oklahoma, South Carolina	\$100 (Colorado, Oklahoma)
Fee that varies by amount of registration fee	Florida, Georgia, Iowa, Mississippi, Nevada, Texas	\$250 (Florida)
Fee that increases over time and varies by amount of registration fee	California, Kentucky, Mississippi, New Mexico	If >2 years late, \$200 + 160% of vehicle license fee (California) If >1 year late, 15% interest on registration amount, computed daily (Kentucky)

Sources: Iowa County Treasurers Alliance, 2022; States of Alabama, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Indiana, Michigan, Mississippi, Nevada, New Mexico, North Carolina, Ohio, South Carolina, Texas, Virginia, and Wisconsin, 2022; The Gleaner, 2020; WithClutch, 2022; BERK, 2022.

Appendix J: Rebate Programs

A rebate program could provide relief to vehicle owners with low incomes by reimbursing a portion of their registration taxes and fees. From 2015 through 2021, the City of Seattle offered a rebate on its TBD vehicle license fee, offering a case study that provides helpful insight into the effectiveness of a potential rebate program for registration taxes and fees.³¹

Proviso Language (per SSB 5156)

"The work group's recommendations must include [...] options to provide or encourage rebates to vehicle owners who pay taxes and fees due at the time of application for vehicle registration."

2015 – 2021: City of Seattle TBD Rebate

[RCW 36.73.067](#) authorizes a vehicle fee or tax rebate program in any district that, among other things, includes a city with a population of at least 500,000 people. Currently, only the City of Seattle has a population that qualifies it to use this RCW.³² The RCW also requires the rebate program to be:

- Restricted to low-income individuals.
- Established as a rebate, not a discount.
- Capped at no more than 40% of the total vehicle fee or tax.

From June 2015 until July 2021, the City of Seattle used this authorization to offer a \$20 rebate on TBD vehicle license fees to vehicle owners with low incomes. The City determined that any vehicle owner also enrolled in the City's utility discount program, which verifies participant income, had an income that made them eligible for the rebate. During this time, the City's TBD fee was \$80, including a \$20 council-imposed fee plus a \$60 voter-approved fee, and the TBD tax was collected with vehicle registration.³³

The vehicle registration rebate program was promoted via mailers to households within the City of Seattle. While the rebate program was active, Seattle's Department of Transportation (SDOT) relied on a multi-step process with multiple partners to validate applicants' eligibility:

1. SDOT would send a list of program applicants to the City's Human Services Department, which administers Seattle's utility discount program. The Human Services Department verified applicant incomes by confirming whether or not applicants were enrolled discount program participants and provided SDOT with a list of eligible applicants.
2. SDOT would then send the updated list of applicants to DOL for confirmation that each applicant's vehicle was registered in Seattle.

³¹ In another example, 2017 SB 5906 proposed to authorize an RTA to establish a rebate program for up to 40% of its imposed MVET or property tax, or both, paid by taxpayers with low incomes. The bill identified "low-income individuals" as "a person, family, or group of people living together whose income is at or below eighty percent of the median income." The bill proposed to authorize an RTA to use funds collected from their sales and use tax, property tax or MVET for the rebate program. The bill did not pass. For more information, see Senate Bill Report SB 5906, March 28, 2017. Available at: <https://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bill Reports/Senate/5906 SBR TRAN 17.pdf> (accessed February 1, 2022).

³² As of the 2020 US Census, the next largest city in Washington is the City of Spokane, with nearly 229,000 residents. See more at: <https://www.census.gov/quickfacts/spokanecitywashington>.

³³ The current TBD fee is \$40 and there is no longer a rebate program in place as of July 2021.

3. With those verifications complete, the City's Finance and Administration Department issued and mailed out the \$20 checks.

The rebate program cost the City of Seattle \$100-\$120 in administration costs per rebate, not including the \$20 rebate.³⁴ When the program ended in July 2021, there were about 5,000 participants out of an estimated 51,000 vehicles whose owners were expected to qualify for the rebate.³⁵

Challenges with Rebate Programs

Rebate programs present several challenges, some of which are generally applicable and others of which are specific to registration taxes and fees.

General Challenges

- **High level of required effort from participants.** Eligible vehicle owners must invest time to apply for the program and demonstrate eligibility.
- **Requirement for participants to pay full amount up front.** Programs that are structured as a rebate require eligible recipients to pay the full fee amount up front and then receive reimbursement once the application is approved. This kind of program does not address the challenge that vehicle owners with low incomes may face related to having sufficient cash available to pay a large lump-sum bill.
- **High administrative costs, including:**
 - **Outreach.** To effectively gain program uptake by all eligible vehicle owners, the State would need to invest significant resources to disseminate information about the program, its benefits, and how to apply.
 - **Eligibility verification.** Verifying an individual's income—and therefore their eligibility for a rebate program—can require significant administrative resources, regardless of whether income verification is done manually (e.g., by W-2s or paystubs) or by proxy (e.g., by proof of enrollment in a federal or state entitlement program). To verify income, a program must also first define which vehicle owners are considered “low-income,” which may need to differ by region and household size.

Challenges Specific to Registration Taxes and Fees

A potential rebate program would present two challenges specific to the Sound Transit RTA portion of registration taxes and fees:

Requirement to repay Sound Transit bonds: The Sound Transit MVET, which is collected at the time of vehicle registration renewal, pays to support completion of Sound Transit capital projects to expand transit. Proceeds from bond sales, backed by the revenue stream from the MVET, fund these capital projects. Sound Transit taxes are also voter-approved, which means that State law requires the MVET to

³⁴ Fiscal Note 5906 SB: RTA low-income rebates, 2017. Available at: <https://fnspublic.ofm.wa.gov/FNSPublicSearch/GetPDF?packageID=48615> (accessed February 1, 2022).

³⁵ Interview with Nico Martinucci, Seattle Department of Transportation. December 16, 2021.

be collected until Sound Transit's bonds are repaid.³⁶ If a rebate were offered, funds would be needed to ensure bond repayment, whether that was state general fund dollars or Sound Transit selling additional bonds, as suggested in the 2017 bill. Depending on the amount of the rebate, it could cost considerably more to administer the program—in addition to the funds needed to pay Sound Transit—than the amount of the benefit.

³⁶ See Sound Transit website: <https://www.soundtransit.org/get-to-know-us/paying-regional-transit> (accessed January 27, 2022).