

# Joint Transportation Committee Study

OPTIONS Related to:

the Requirement to Present an Unexpired Washington State  
Driver's License When Registering a Motor Vehicle

Gene Baxstrom, JTC Staff

Jerry Long, HTC Staff

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# Study Directive

- Directed in the 2013-15 Transportation Budget
- Identify issues related to
  - administration,
  - compliance and
  - enforcement of the law
- Identify potential statutory changes
- Establish Work Group of stakeholders

# Current Requirements

- To operate a motor vehicle on public roads, Washington residents must have:
  - A valid driver's license (unless exempt)
  - Valid vehicle registration (unless exempt)
- New residents must, within 30 days:
  - Obtain a Washington State driver's license (unless exempt)
  - Presenting an unexpired Washington drivers license, register motor vehicle in Washington (unless exempt)

# Motor Vehicle Licensing

- Administered by
  - Department of Licensing
  - County Auditors (38)
  - County Agent (King County)
  - Vehicle Licensing Subagents  
(141 Subagents located in 31 counties)

# Motor Vehicle Registration Transactions

Licensing Entities	Transactions by Type		Total Transactions
	Over-the-counter: Walk-in and Mail	Internet	
County Auditors	1.4 million	0.8 million	2.2 million
Subagents	3.5 million	0.6 million	4.1 million
Department of Licensing	5,500		
<b>Total</b>			6.3 million

# 2005 Legislation HB 1241

- Meant to address two issues:
  - Ensure vehicles owned by Washington residents are properly registered in Washington
  - Ensure that new Washington residents obtain Washington driver's licenses and do not retain out-of-state licenses (for tax evasion purposes)
- Required that a person present an unexpired driver's license when registering a motor vehicle
- Increased penalties for failing to register a motor vehicle
- Added a fine for falsifying residency

# Sales Tax Exemption for Non-Residents



Washington Seller must examine a valid driver's license or identification card issued by the out of state jurisdiction and maintain the documentation record for five years

Must meet all three of the following criteria:

- Tangible personal property
- The purchase is used only outside of Washington State
- Purchaser can establish that they are a resident of one of the above states

# 2013 Legislation HB 1521 / SB 5427

- Would have repealed the requirement to present an unexpired Washington driver's license prior to motor vehicle registration
- Would have removed the gross misdemeanor fine of \$529 for a person falsifying residency when registering a motor vehicle



# Study Work Group

- Directed in study proviso
- Membership:
  - County Auditors
  - Vehicle Licensing Subagents
  - Department of Licensing
  - Department of Revenue
- Interviews conducted with each group
- Work Group met August 15<sup>th</sup>
- Reviewed and commented on study documents

# Study Work Group

## August 15<sup>th</sup> meeting

- Discussion of existing process
  - Administrative issues
  - Compliance issues
  - Enforcement
- Discussion of process improvement
  - Alternative approaches
  - Identified other actions to carry out legislative goals

# Issues/Concerns with the Current Law

- Not meeting legislative objectives
- Compliance with the requirement varies
  - Among registration methods
  - Among entities
- Process
  - Incomplete mail-in registrations
  - Incomplete documents for walk-in customers
  - Competitive pressures among agents

# Issues/Concerns with the Current Law

- Exemption claims very difficult to verify
- Systems Issues:
  - Validity of driver's license can not be validated for mail-ins
  - Lack of enforcement capability
  - No information sharing between vehicle and driver's license system

# Principle Options

1. Repeal the current requirement
2. Apply the law only to original vehicle registrations
3. Apply the law only to original vehicle registrations and vehicle ownership changes
4. Maintain the current requirement, but only with other changes and investments in the licensing system

# Principle Option 1

## Repeal the law

- Advantages
  - Reduces time for processing
  - Improves customer service
- Disadvantages
  - Removes a deterrent to keeping out-of-state license which can be used to make tax exempt purchases
- Related issues
  - Adoption of other options (5-12) may mitigate disadvantages

## Principle Option 2

### Apply law to original registrations

- Advantages
  - Focus resources and efforts on smaller target group
  - Significantly fewer transactions affected
  - Time savings for the public and licensing agents
- Disadvantages
  - Does not address holder of an out-of-state driver's license buying a vehicle already licensed in Washington
- Related Issues
  - Would apply to 460,000 transactions (7.3% of the current law)

# Principle Option 3

## Apply law to original & transfer registrations

- Advantages
  - Focus resources and efforts on smaller group
  - Significantly fewer transactions affected
  - Time savings for public and agents
- Disadvantages
  - As with current law, it does not address current issue of one person registered on vehicle and other household member retaining out-of-state drivers license
- Related Issues
  - Would apply to 1,140,000 transactions (18 % of the current law)



# Principle Option 4

## Maintain current law, with changes

- Advantages
  - Maintains the existing level of deterrence to keeping an out-of-state driver's license
  - With changes, could increase compliance
- Disadvantages
  - Existing process cannot be enforced due to resources not being available to verify driver information
- Related Issues
  - Requires educational and law enforcement emphasis
  - To be effective, costly integration of vehicle-driver databases (\$60 Million)

## Additional Options

These options are intended to complement one or more of the Principal Options--improving the process or carrying out the goal of reducing tax fraud.

5. Accept a driver's license from another state having a sales tax of 3% or greater when registering a motor vehicle
6. Increase enforcement efforts
7. Increase education efforts

## Additional Options (con't)

8. Reduce the fine for failure to register a vehicle to encourage enforcement
9. Work with retailers to identify ways to limit nonresident sales tax fraud
10. Require tax exemption certificate
11. Require an application for a refund for sale tax on purchases by out-of-state residents
12. Extend the 30-day vehicle registration requirement for new residents to 60 days

# Questions?