

# HOUSE BILL REPORT

## HB 2741

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### As Passed Legislature

**Title:** An act relating to requirements before issuance of an initial vehicle registration.

**Brief Description:** Concerning requirements before issuance of an initial vehicle registration.

**Sponsors:** Representatives Orcutt and Clibborn.

#### Brief History:

##### Committee Activity:

Transportation: 2/6/14, 2/10/14 [DP].

##### Floor Activity:

Passed House: 2/17/14, 93-4.

Passed Senate: 3/6/14, 48-1.

Passed Legislature.

#### Brief Summary of Bill

- Amends the unexpired driver's license requirement to apply to original vehicle registrations and to vehicle ownership changes unless the person qualifies for one of the exemptions currently in state law.
- Removes the requirement to show an unexpired driver's license for renewal registrations.

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#### HOUSE COMMITTEE ON TRANSPORTATION

**Majority Report:** Do pass. Signed by 28 members: Representatives Clibborn, Chair; Farrell, Vice Chair; Moscoso, Vice Chair; Orcutt, Ranking Minority Member; Hargrove, Assistant Ranking Minority Member; Overstreet, Assistant Ranking Minority Member; Bergquist, Fitzgibbon, Freeman, Habib, Hawkins, Hayes, Klippert, Kochmar, Morris, Muri, Ortiz-Self, Pike, Riccelli, Rodne, Ryu, Sells, Shea, Takko, Tarleton, Walkinshaw, Young and Zeiger.

**Minority Report:** Do not pass. Signed by 2 members: Representatives Fey, Vice Chair; Moeller.

**Staff:** Jerry Long (786-7306).

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

## **Background:**

New Washington residents, unless exempt, must obtain a Washington driver's license within 30 days from the date they become residents. If a person does not acquire the license within 30 days, it is a citation for a nonmoving offense of \$124.

New Washington residents, unless exempt, must register their vehicles within 30 days from the date they become residents. For a person to register a vehicle, they must present either an unexpired Washington driver's license; or certification that he or she is: (1) a Washington resident who does not operate a motor vehicle on public roads; or (2) is exempt from the requirement to obtain a Washington driver's license. Exemptions include being: a member of the military; a nonresident driver; a person operating special highway construction equipment or farm equipment incidentally over a highway; or an operator of a locomotive upon rails. The Department of Licensing (DOL) has the authority to adopt rules for which a person applying for registration may be exempt from the requirements if the person provides evidence satisfactory to the DOL that he or she has a valid and compelling reason for not being able to meet these requirements.

The 2005 law requiring presentation of an unexpired Washington driver's license was enacted to address sales tax evasion. It was meant to ensure that new state residents paid sales tax and did not continue to use out-of-state licenses to claim a nonresident sales tax exemption.

State law (RCW 82.08.0273) exempts nonresidents from states with no sales tax or a sales tax of less than 3 percent from paying Washington's sales and use tax on qualifying purchases. This means Oregon residents, as well as residents of Alaska, Colorado, Delaware, Montana, New Hampshire, and Utah, do not have to pay sales and use taxes on items purchased in Washington that will be used outside of the state.

A person falsifying residency for the purposes of vehicle registration is guilty of a gross misdemeanor punishable only by a fine of \$529.

A person may register his or her vehicle in one of three ways:

- in person: to bring the unexpired Washington driver's license to the DOL and for each additional registered owner shown on the vehicle record a photo copy of, or to provide in writing, the driver's license number and expiration date;
- for Internet transaction: to enter the driver's license number and expiration date; and
- by mail: provide in writing the driver's license number and expiration date.

There are 6.3 million Washington motor vehicle registrations processed annually. Approximately 20 percent of those registrations involve an original registration of the vehicle or a transfer of ownership, while the remaining 80 percent involve the same motor vehicle owner submitting the same driver's license information each year.

In 2012 there were 140,000 driver's licenses issued to people from other states. Seventy-nine percent or 111,000 were issued to people from states with a sales tax greater than 3 percent and 29,000 or 21 percent were issued to people from states with less than a 3 percent sales tax. Of those 29,000, 18,000 were from Oregon and 2,700 were from Montana. Other states

with a sales tax less than 3 percent are Alaska, Colorado, Delaware, New Hampshire, and Utah.

The 2013-15 Biennial Transportation Budget (Engrossed Substitute Senate Bill 5024, section 204(2)) directed the Joint Transportation Committee (JTC) to coordinate a work group to identify possible issues relating to the administration of, compliance with, and enforcement of the statutory requirement for a person to provide an unexpired Washington driver's license when registering a motor vehicle. During the study process, the Department of Revenue estimated the additional revenues since 2005 occurring as a result of the unexpired driver's license requirement. These estimates were developed utilizing data from 2005 onward and a measurement of fraud developed by the Coalition Against Insurance Fraud, which identifies a 10 percent fraud rate. That measurement was applied to Washington to identify the revenue impact of the unexpired driver's license requirement. In fiscal year 2013, the agency estimated \$3.435 million in state revenues and \$1.297 million in local revenues. One of the options examined by the JTC study was to amend the statute to apply only to original vehicle registrations and to vehicle ownership changes.

**Summary of Bill:**

The bill amends the unexpired driver's license requirement to apply to original vehicle registrations and to vehicle ownership changes unless the person qualifies for one of the exemptions current in state law. The requirement to show an unexpired driver's license for renewal registrations is removed.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) A person must register a vehicle within 30 days after becoming a Washington resident. It is possible to register your vehicle from Oregon in Washington and retain your Oregon driver's license. Law enforcement has no idea whether or not the person has a Washington driver's license. Recommendations came from the JTC study on unexpired driver's licenses during the 2013 interim.

The bill helps Washington catch folks not paying their sales and use tax when using their Oregon driver's license to buy goods tax free in Washington even though they are legal residents of Washington. The bill gets at the original intent of House Bill 1241 enacted in 2005. The fraud would be most likely at the time of the initial and transfer registrations. The renewals supply the same driver's license number each year and, if the vehicle has both registered owners on the vehicle, then both registered owners must provide their driver's license numbers.

The Subagents Association brought the bill forward and worked with the Department of Revenue, the DOL, and the county auditors on developing the bill. Very few people actually review the renewal notice and 66 percent do not place the driver's information on the renewal notice. Many do not have the driver's license listed on the renewal notice even though they are required by law to provide it.

(Opposed) None.

**Persons Testifying:** Representative Orcutt, prime sponsor; Tony Sermonti, Department of Licensing; and Charlene Winzler, Washington Association of County Officials.

**Persons Signed In To Testify But Not Testifying:** None.