



House Bill (HB) 3927 Implementation of Temporary Tag Maximum Limits

House Bill (HB) 3927 has authorized TxDMV to establish the maximum number of temporary tags that a dealer or converter may obtain in a calendar year. The TxDMV is drafting rules to implement temporary tag maximum limits based on the provisions outlined in HB 3927 and is seeking the committee's input.

Setting the Stage

Setting maximum tag limits requires the TxDMV to carefully balance multiple needs:

- Preventing fraud, while
- Enabling lawfully operating dealers and converters to continue to operate efficiently, and
- Minimizing administrative burden for both license holders and TxDMV.

The TxDMV has about five years of temp tag data and is in the process of combining that data with detailed licensing data to get a picture of historical temporary tag usage by license type. This data will be helpful in setting maximum tag limits especially for new license holders.

As background, dealers and converters issue these types of temporary tags:

- Dealer's tags - used when transferring vehicles purchased from other dealers, for customer test drives, and when vehicles require servicing, for example. (specific list in 503.062)
- Buyer's tags - used after purchase in the interim period before the title and metal plates are provided to the buyer
- Pre-printed Internet down tags - temporary tags that can be printed ahead of time in case of internet or system outage. A rule provides the limits of the number of Internet down tags a dealer or converter can print "just in case." The limits are the greater of the number of preprinted Internet-down temporary tags previously allotted by the department, 30; or 1/52 of the seller's total annual sales.

Questions for the Advisory Committee

Setting Limits

HB 3927 specified several factors that could be used in setting a maximum annual limit, including:

- Time in operation
- Sales data
- Expected growth
- Expected market changes in the dealer's or converter's market
- Temporary conditions that affect sales
- Any other information the TxDMV considers relevant

Some questions the TxDMV would like the committee to consider for discussion are:

- Should any of these factors be weighted more heavily than others?
- What specific data or data sources should be considered credible for each of these factors?
- What data is not credible or should not be acceptable?
- What additional information should the TxDMV consider relevant besides the factors in a - e?



Additional questions to consider:

- Besides the Vehicle Inventory Tax (VIT) statement that dealers file with the county what sales data should we consider?
- What temporary conditions could affect sales that are important to consider in temporary tag usage?
- How many temporary tags on average are reasonably used in the typical motor vehicle sale when considering all tags used such as those for test drives and the buyer's tag? Do you think this number would vary much based on type of motor vehicle or other factors?

The Process

Dealers and converters are licensed for a two-year period. The TxDMV is considering a process that would allow dealers and converters to receive their year 1 and year 2 temporary tag limits at the time of license approval, and then allowing dealers and converters to request additional tags at any time after 6 months.

So, after 6 months of operation dealers or converters could ask for an increase in the number of temporary tags for year 1 or year 2 or for both years.

- Does this proposal strike the right balance?
- What concerns or suggestions do you have regarding the process for dealers and converters to request more tags?

House Bill 3927 directs the department to “establish the maximum number of temporary tags that a dealer or converter may obtain in a calendar year” and provides that “the department may authorize additional temporary tags of any type for the dealer or converter if the dealer or converter demonstrates a need for additional temporary tags resulting from business operations,” if requested by the dealer or converter. This indicates a hard stop once a dealer reaches their maximum limit. Meaning the dealer's or converter's ability to obtain additional tags would be suspended if they reach their maximum limit and have not been approved for additional tags.

The TxDMV is also looking to set up an automatic notification system, similar to the license renewal notices dealers currently receive. Multiple notifications would alert dealers as they are approaching their tag limit.

- What concerns or suggestions do you have regarding a hard stop once a dealer reaches their limit?
- Are there other mechanisms the TxDMV should consider using to notify dealers they are close to reaching their tag limit?