

Texas Temporary Tag Fraud, Abuse, and Misuse: Background and Solutions to Prevent, Detect, and Investigate Fraud

TEMPORARY TAG ABUSE ISSUE

Over the last few years, law enforcement in Texas reported pronounced increases in temporary tag abuse that necessitated a swift and effective response. In addition to the manipulation of a physical tag for fraudulent use, the department discovered that persons were applying for dealer licenses with the sole intent of gaining access to the web-based application used by licensed Texas dealers to issue temporary tags (named eTAG), which allowed them to create buyer tags not associated with a legitimate dealer sale. These tags were made available to the public and criminal organizations for purchase, which allowed them to circumvent Texas registration laws and hide their identity from law enforcement.

Fraudulently obtained temporary tags pose a risk to general public safety and welfare. Law enforcement has investigated illegitimate dealers that fraudulently obtained and sold temporary tags to persons who engage in violent criminal activity, including armed robbery, human trafficking, and assaults on law enforcement. Criminals use fraudulently obtained temporary tags that are registered under false identities and addresses to make it more difficult for law enforcement to trace the vehicles and the individuals involved.

Fraudulently obtained temporary tags were also sold to persons who operated uninsured or uninspected vehicles which is also hazardous to Texas motorists and the environment. These vehicles could not have been legally registered without this fraudulent activity. Fraudulently obtained temporary tags can also be used by criminals to sell stolen vehicles or unsafe salvage vehicles to unsuspecting buyers, using the temporary tags to make the vehicles appear legitimate. Criminals have fraudulently obtained temporary tags from the department's system and used the tags in Texas, as well as other states, such as New York and Nevada.

LEGISLATIVE RESPONSE

During the 87th Regular Session, the Texas Legislature enacted House Bill (HB) 3927, which amended Transportation Code §503.0632(a)-(e) and tasked the department with creating a methodology to allocate a maximum number of temporary tags that could be issued by a dealer or converter. This legislation provided the department with significant new tools to address fraud, abuse, and misuse, including denial of access to the department's eTAG system, and set in motion a multi-year offensive response to combat, prevent, and detect temporary tag fraud. These efforts also enhanced the department's partnership with law enforcement to ensure front-line officers have accurate, complete, and timely information needed to identify fraudulent temporary tags and conduct effective investigations.

DEPARTMENT ACTIONS

To complement legislative actions, the department began an exhaustive internal review of procedures and programming related to dealer licensing and the eTAG system. This review resulted in significant changes to the issuance of dealer licenses, access to the eTAG system, and the sharing of department information with law enforcement.

Procedural Enhancements

Improved Dealer Vetting (2021 into 2022). The department quickly implemented more rigorous vetting of applicants for dealer licenses, including:

- Verifying property ownership in county appraisal records
- Requiring additional photos, documentation, and/or notarized statements relating to ownership and premise requirements
- Closer examination of renewal applications based on lessons learned from identifying fraudulent actors
- Creation of a Background and Fraud Unit to review initial license applications for criminal history and to identify issues or concerns with identity, location, ownership, or possible affiliation with other fraudulent dealers

Fingerprinting (September 2022). Following a review of the department's statutory authority to fingerprint dealer license applicants, TxDMV drafted rules to implement a fingerprinting requirement. The department adopted Texas Administrative Code Section 211.6 in June 2022, and beginning September 1, 2022, all applicants and dealers seeking to renew their licenses or apply for a new license must submit to fingerprinting. The fingerprinting requirement not only deters criminals from applying for a license but also provides the department and law enforcement partners with enhanced identity verification of business owners.

System Enhancements

Denial of Access to eTAG System (January 2022). As part of the implementation of HB 3927, the department adopted Texas Administrative Code Section 215.505, which allows the TxDMV to deny a vehicle dealer access to the eTAG system if they are found to have fraudulently issued tags from the system, which includes the following:

- Issuance of an excessive number of tags relative to dealer sales
- Issuance of tags for a vehicle(s) not in the dealer's inventory
- access to the temporary tag database for a fictitious user or person using a false identity

Maximum Tag Issuance Limits (February 2022). As part of the implementation of HB 3927, the department amended Texas Administrative Code Sections 215.152 and 215.158, establishing maximum temporary tag limits. Each dealer's individual annual title applications, prior tag issuance, and years in service are considered when assigning the maximum tag limit. If a dealer exceeds 50 percent of its maximum allotment, the dealer can request to have its allocation increased upon review and approval of supporting sales data by the department.

30-Day Permits (April 2022). The department made an operational change to clarify 30-day permit requirements to ensure applicants meet the same requirements as a motorist who is renewing vehicle registration. These requirements include the presentation of a valid and verifiable form of identification, evidence of financial responsibility, and proof of a Texas safety inspection. This work was pursued after the department identified an increase in 30-day permit activity that correlated to the decline of dealer tag issuance due to previous actions to combat fraud.

Elimination of Tag Pattern Recycling and Updated Buyer Tag Format (April 2022). The department eliminated the recycling of tag patterns (previously used tag patterns can no longer be issued) to mitigate uncertainty experienced by law enforcement. The department also changed the format of the temporary buyer tag to move the location of the alphabetical character to a new position in the tag number to help law enforcement identify potential fraudulent tags.

Enhanced VIN Decoding and VIN Entry Limitations (July 2022). The department increased the validation and decoding of vehicle identification numbers (VIN) entered into state systems and limited the character entry for VINs to ensure they conform to proper standards when applicable. Prior to this limitation, VINs with too few or too many characters were allowed to be entered into the eTAG system, creating the opportunity to issue temporary tags for fictitious VINs.

72-Hour and 144-Hour Permits (July 2022). The department implemented a requirement for a valid United States Department of Transportation (USDOT) number to be entered prior to a commercial applicant obtaining a 72-Hour

or 144-Hour permit online or in person. The USDOT number is a unique identifier that provides information about a commercial transportation business.

eTAG System Access Limitations (July 2022). The department limited availability to the eTAG system. The eTAG system, which could previously be accessed at any time, day or night, can now only be accessed between the hours of 6:00 a.m. and 11:59 p.m. to ensure system access only during reasonable business hours.

Expansion of VIN Decoding Logic (August 2022). The department expanded its July 2022 VIN decoding enhancements to allow only legitimate VINs to be entered into the eTAG system. Entry of an illegitimate VIN will prevent the issuance of a temporary tag.

Inspection Verification (Planned: November 2022). Following a planned upcoming enhancement, the eTAG system will not allow the issuance of a temporary tag unless the vehicle has obtained the statutorily required vehicle inspection prior to tag issuance.

Additional eTAG System Access Limitations (Planned: November 2022). Following a planned upcoming enhancement, eTAG system users will be restricted to a single browser session, and users will be logged out of the system after a period of inactivity, requiring them to log in again to access the system.

Multifactor Authentication (Planned: November 2022). The department plans to implement multifactor authentication in the eLicensing system to reduce the risk of user account takeovers and provide additional security for users and their accounts. Multifactor authentication requires a user to confirm their credentials through a second process outside of the system login screen (email, text message, etc.).

Identification of Stolen, Salvage, or Nonrepairable Vehicles (Planned: TBD). This enhancement planned for a future date will validate that a VIN entered into the eTAG system is not for a vehicle that has been identified as stolen, salvaged, or nonrepairable, since these vehicles are not authorized to be operating on Texas roadways. The department currently conducts this check for vehicles with a Texas record, and this planned enhancement will expand the check to out-of-state vehicles.

Data Access for Law Enforcement

The department worked closely with law enforcement to provide the resources and data officers need to combat and investigate a range of vehicle crimes. One of the main concerns the law enforcement community expressed was the need to have timely access to department data. In response to this concern, the department has established the following means by which law enforcement can access valuable motor vehicle information.

Law Enforcement Analyst Team (July 2022). This unit was created within the department's Enforcement Division to provide a single point of contact for law enforcement to efficiently submit and receive information or data. Law enforcement officers first establish their identity through a vetting process. Once established, they are added to an approved list, which allows them to directly submit requests for information to the analyst team, including requests via phone. This unit was established in response to requests from law enforcement to request and receive information for cases being actively worked, allowing officers to obtain data quickly.

Closed Data Portal (July 2022). The department collaborated with law enforcement to determine what information was most needed for direct 24-hour access. The department then made that data available through a closed data portal, placing the data on a server, managed by the Texas Department of Information Resources, that can only be accessed by stakeholders with the appropriate credentials. This provides law enforcement with direct access to data that they can use for investigations, including investigations related to temporary tag abuse.

Partnership with DPS Fusion Center (October 2022). The Texas Department of Public Safety Fusion Center was provided with TxDMV bulk motor vehicle data products, which include all records in the Registration and Title System (RTS) database, weekly updates to RTS, eTAG data, specialty plates data, and dealer information. The Fusion Center is in the process of reviewing the data to determine how it can best be communicated by criminal analysts working with law enforcement in the field.

Physical Temporary Buyer Tag Redesign

In an attempt to reduce and prevent fraud in the future, a newly designed temporary buyer tag is scheduled to be released in December 2022. The physical temporary buyer tag currently in use was designed in 2018, and the department is rebranding its look to differentiate it from the design used during the peak of temporary tag abuse. Temporary buyer tags are valid for 60 days from the date of the vehicle sale, so any old temporary buyer tag designs still on Texas roadways after 60 days of the effective date of the redesigned tag will be easily identified by law enforcement as either expired or fraudulent.

The department conducted extensive research on security and design options before proceeding with the new tag. The department met with multiple states to discuss their temporary tag issuance process and worked with the American Association of Motor Vehicle Administrators (AAMVA) to solicit feedback from additional states regarding their temporary tag process. Staff reviewed the AAMVA best practices guide related to the issuance of temporary tags and met with numerous vendors who offered solutions for physical and digital security.

The department also considered the impact on the dealer community. Dealers print temporary buyer tags through access to the department's eTAG system using their own printers and paper. The dealer community expressed the importance of the need for business and commerce to flow with little to no interruption with the introduction of a newly designed temporary tag. For that reason, the department focused on format changes and enhanced security features for the new design that could be accomplished within the existing production infrastructure. The new temporary tag design achieves the following goals:

1. Tag components are repositioned to achieve an overall new layout
2. Use of a new watermark
3. Addition of the vehicle sale date as a new component on the face of the tag
4. Use of a quick response (QR) code instead of a bar code – allows for more embedded information and includes additional data fields about the vehicle and seller
5. Use of large, clear font for maximum readability
6. Enhanced, confidential security features

The new tag design has been discussed with both internal and external stakeholders, including the department's board, state, local, and federal law enforcement officials, the Tax Assessor-Collector Association, and dealers. A communications plan has been established to provide appropriate information to affected stakeholders, including law enforcement. Officers will be provided advisory bulletins and training to increase awareness of the security features of the new design.

CONCLUSION

The Texas Department of Motor Vehicles is committed to supporting the prevention, detection, and investigation of temporary tag fraud and abuse. Through the many enhancements to dealer licensing procedures, the eTAG system, and improved partnerships with law enforcement, there has been a significant reduction in the number of fraudulent Texas temporary tags being used on the roads. The department will continue to work closely with local, state, and federal law enforcement entities to combat fraud wherever it exists and has also been asked to participate in an AAMVA committee to develop enhanced temporary tag best practices for national application. Although there will always be criminals who will find ways to circumvent the law, Texas has addressed many outstanding concerns and will continue to prioritize the reduction of fraud to protect its citizens.