Study of Systems for Issuing Temporary Tags for Unregistered Motor Vehicles in Texas

Prepared By
TEXAS TRANSPORTATION INSTITUTE
THE TEXAS A&M UNIVERSITY SYSTEM
COLLEGE STATION, TEXAS

Prepared For
TEXAS DEPARTMENT OF TRANSPORTATION

October 2006
Study of Systems for Issuing
Temporary Tags for Unregistered Motor Vehicles
In Texas

Prepared by
Linda K. Cherrington
Research Scientist

Tina Collier
Associate Transportation Researcher

Casey Toycen
Assistant Transportation Researcher

Debbie Spillane
Assistant Transportation Researcher

John Lowery
Student Technician

Project 407067

TEXAS TRANSPORTATION INSTITUTE
The Texas A&M University System
College Station, Texas  77843-3135

Prepared for
TEXAS DEPARTMENT OF TRANSPORTATION

Final Report
October 2006
DISCLAIMER

The contents of this report reflect the views of the authors, who are responsible for the facts and the accuracy of the information presented herein.

ACKNOWLEDGMENTS

The authors of this report by Texas Transportation Institute (TTI) would like to thank the Texas Department of Transportation (TxDOT) for the opportunity to conduct the study of systems for issuing temporary tags for unregistered motor vehicles in Texas. Representatives of the Government and Business Enterprise Division provided guidance, and members of the staff of the Motor Vehicle Division provided background information and technical assistance throughout the study.

The stakeholder outreach effort was possible because of the contributions of several organizations and agencies. In particular, the authors would like to thank representatives of the Texas Automobile Dealers Association, the Texas Independent Automobile Dealers Association, the Houston Independent Automobile Dealers Association, and the Bryan-College Station New Car Dealers Association who spent time in interviews and discussion groups to help the TTI research team understand the points of view of their organizations. The authors wish to thank the hundreds of persons who participated in the survey to gather data and opinions from motor vehicle dealers across the state.

The authors also wish to acknowledge the contributions of the TxDOT Vehicle Titles and Registration Division; the Comptroller of Public Accounts, Tax Policy Division; Texas Department of Insurance, Fraud Division; and the county tax assessor-collectors from Harris County, Williamson County, and El Paso County. The toll authorities in Texas shared data and information. The TTI research team thanks the Harris County Toll Road Authority, the North Texas Turnpike Authority, and the TxDOT Turnpike Authority Division.

The TTI research team thanks the persons from numerous law enforcement organizations that participated in a listening session and then contributed time and effort to ensure a good response to the survey of law enforcement personnel.

Finally, the authors thank the staff of the Arizona Department of Transportation, Motor Vehicle Division for sharing extensively the experiences of that state in issuing temporary tags for unregistered motor vehicles.
EXECUTIVE SUMMARY

In May 2005, the 79th Texas Legislature approved House Bill (HB) 2702 to address issues raised in the implementation of provisions of the Omnibus Transportation Bill (HB 3588), 78th Texas Legislature, Regular Session, 2003. Section 3.05 of HB 2702 requires the Texas Department of Transportation (TxDOT) to conduct a study of systems for issuing temporary tags for use on unregistered motor vehicles. The purpose of the study is to compare the current system in Texas to other potential systems, seek input from interested parties, and consider issues of public and transportation safety, homeland security, costs, efficiency, and reliability. TxDOT contracted with the Texas Transportation Institute (TTI) to conduct the study of systems for issuing temporary tags and to prepare a summary of findings. The purpose of this document is to summarize the research by TTI.

CURRENT SYSTEM IN TEXAS

The purpose of a vehicle license plate is to serve as an official, unique, and highly visible identification number for each motor vehicle. The permanent metal license plate (tag) provides a mechanism to document vehicle ownership. The purpose of a temporary tag is to provide official identification for an unregistered motor vehicle. The temporary tag serves in the place of a permanent metal vehicle license plate on a temporary basis and under specific circumstances.

In Texas, cardboard tags serve as temporary authorization for use of a motor vehicle on a public highway pending receipt of the permanent license plates. Two types of temporary tags referred to most often are the dealer’s black temporary tag and the buyer’s red temporary tag. The purpose of a dealer’s black temporary tag is to permit a dealer to demonstrate an unregistered vehicle for sale. The purpose of the buyer’s red temporary tag is to identify the newly sold vehicle as ‘untitled’ pending transfer of title and registration to the consumer. Dealers may issue only one red tag to a buyer, and that tag is good for 21 calendar days.

Dealers are responsible for printing temporary tags. Texas law precludes TxDOT from issuing temporary tags to dealers and buyers. TxDOT can only prescribe the temporary tag color, form, and specifications. Dealers are also responsible for marking the temporary tag in ink with required information and displaying the tag on the vehicle before delivering the vehicle to the buyer. As of May 1, 2006, each temporary tag must have a unique number. The dealer is responsible for keeping a log to record the unique number for each tag and the vehicle and owner assigned to that tag. Upon sale of the vehicle, the dealer must file all necessary documents and pay taxes and fees to the county tax assessor-collector within 20 working days of the sale.
CURRENT SYSTEM IS NOT EFFECTIVE

The current system for temporary tags in Texas is not effective to meet the purpose of providing an official, unique, and highly visible identification for each motor vehicle pending transfer of title and registration. The current system is also not effective to meet the purpose of providing a mechanism to ensure timely payment of taxes and fees. Although dealers are responsible for assigning a unique number to each temporary tag, dealers do not record the data in an electronic database. The specifications for the temporary tag design do not ensure the unique vehicle number or the name of the dealer is visible from a distance. The current system does not provide the electronic database necessary to track vehicle sales transactions by vehicle or by dealer. The research documented in this report highlight the following limitations in the current system for temporary tags in Texas.

- Law enforcement representatives say the current Texas system for temporary tags is not effective in protecting public and transportation safety and security. A law enforcement officer cannot access a database to look up a vehicle number and vehicle description in the field; therefore, law enforcement lacks sufficient means to identify the vehicle and possibly obtain probable cause for an offense where identification is necessary. Law enforcement cannot retrieve real-time data on a vehicle that may be involved in unlawful activity.

- Discussions with dealers and responses to the dealer survey indicate dealers find the current Texas system is not reliable. Dealers report that red buyer’s tags are issued multiple times for the same vehicle although such practice is not permitted by statute.

- Statutes provide two different, conflicting deadlines to properly file for title and registration. One statute says that a buyer’s temporary tag is valid for 21 calendar days; however, another statute says that a dealer has 20 working days to file for transfer of title and registration and to pay motor vehicle sales tax and fees.

- The State of Texas, counties, other local governments, and toll authorities lose revenue because the current temporary tag system in Texas does not ensure the ability to identify a vehicle owner by the unique number on the tag.

- The current system for temporary tags in Texas is not effective to provide tax assessor-collectors the requisite data resource to ensure timely payment of motor vehicle sales tax and vehicle registration and title fees and in accordance with statute. The current system does not provide for an electronic database to track vehicle sales transactions by vehicle or by dealer. In the absence of a database for reference, state and local governments cannot accurately and efficiently verify the timely payment of motor vehicle sales tax and fees.

- The lack of an effective system for temporary tags for vehicles raises a concern related to homeland security. The counterfeit tags are used to transfer stolen or salvage vehicles across the border without contest. Without a central database to reference, border agents cannot identify the owner of the vehicle or verify the legal status of the vehicle.
ALTERNATIVES CONSIDERED

The TTI research team considered four alternative systems for temporary tags. The baseline alternative is to continue the current system. This alternative will not address several limitations of the current system in Texas. A second alternative is to advance the Texas system to the second generation (state issued and controlled temporary tags) or third generation (state issued and controlled with additional security features). However, the second and third generation systems used in other states do not take advantage of the benefits of available technology to address the several limitations of the current system. The third alternative is to change the system to allow dealers to issue metal tags directly to the buyer. While this alternative was of interest to dealers, an effective program will still require an electronic system to record transactions. The fourth alternative system considered is an electronic temporary tag.

FINDINGS

An electronic temporary tag system will address the majority of concerns about the current system in Texas. An electronic system for temporary tags will provide the following advantages.

- Technology can improve the efficiency and effectiveness of the current temporary tag system. An electronic temporary tag system will permit state, regional, county, and local governments to verify dealer information and dates of sale for vehicles in order to collect revenues in a timelier manner. Technology can provide better recordkeeping and a more reliable system.

- Technology can improve access to data for law enforcement to improve the effectiveness of the system for public and transportation safety.

- An electronic tag system can resolve some concerns for homeland security. With a requirement for an electronically generated temporary tag and a central database as a reference, border agents can efficiently identify the owner of the vehicle transported across the border and verify the legal status of the vehicle.

- Experience in other states suggests that Texas can implement an electronic temporary tag system with only a nominal cost to the dealer or customer. Ongoing operations costs are limited and the fee per tag can be $1.00 or less. The state can recover its investment for startup within a few years—or even months. A dealer’s start-up cost is a computer, printer, and access to the Internet.

Options should be available for a dealer without Internet access to be able to either logon to the state’s electronic system at another location or use a telephone and fax to access the system through interactive voice response (IVR).

The Legislature should revise the statutes to reconcile the two different, conflicting deadlines to properly file for title and registration.

A change in the system for temporary tags should be comprehensive and should address as many of the limitations identified as possible. TxDOT should develop the new system with buy-in from stakeholders.
# TABLE OF CONTENTS

Introduction......................................................................................................................................... 1
  Purpose and Scope............................................................................................................................. 1
  Content and Organization of this Report.......................................................................................... 2

A. Licensing and Registering a Motor Vehicle in Texas................................................................. 3
  TxDOT Responsibility ...................................................................................................................... 3
  Requirements for Temporary Tags for Unregistered Vehicles......................................................... 4
  Procedures for Licensing and Registering a Motor Vehicle............................................................ 6
  Revenues for Registering and Licensing Motor Vehicles ............................................................... 7
  Concerns on Record......................................................................................................................... 9

B. Stakeholder Outreach .................................................................................................................... 13
  Interviews ......................................................................................................................................... 14
  Focus Groups.................................................................................................................................. 20
  Dealer Survey .................................................................................................................................. 21
  Law Enforcement Listening Session ............................................................................................... 33
  Law Enforcement Survey ............................................................................................................... 34
  Review of Records of Temporary Tag Violations Filed with MVD ................................................. 39

C. Temporary Tag Systems Used in Other States......................................................................... 45
  States Included in Peer Review ........................................................................................................ 45
  Electronic Temporary Tags ............................................................................................................ 48
  Cost of Electronic Temporary Tags ................................................................................................ 51

D. Dealer Rankings of Optional Temporary Tag Systems.............................................................. 55
  Summary of Advantages and Disadvantages by Type of System for Temporary Tags ............... 55
  Optional Systems Ranked #1 by Dealers....................................................................................... 57
  Optional Systems Ranked #4 by Dealers....................................................................................... 58
  Dealer Opinions before and after Explanation of the Electronic Temporary Tag........................ 58
  Dealer Comments ......................................................................................................................... 58
  Dealer Access to the Internet......................................................................................................... 60

E. Summary of Observations and Findings.................................................................................. 61
  Current System in Texas–Summary .................................................................................................. 61
  Current System Is Not Effective..................................................................................................... 62
  Systems Used in Other States ......................................................................................................... 64
  Stakeholder Comments.................................................................................................................. 65
  Alternatives Considered ................................................................................................................ 67
  Findings ........................................................................................................................................... 68
  Keys for Success............................................................................................................................... 69

Appendix 1. Auto Dealer Associations Interview Outline............................................................ 71
Appendix 2. Dealer Survey............................................................................................................. 73
Appendix 3. Postcard Mailed to Dealers....................................................................................... 83
Appendix 4. Listening Session Letter............................................................................................. 85
TABLE OF EXHIBITS

Exhibit 1. Buyer’s Red Tag circa 1996................................................................. 5
Exhibit 2. Buyer’s Red Tag circa 2005................................................................. 6
Exhibit 3. Buyer’s Red Tag as of May 2006......................................................... 6
Exhibit 5. Revenue Generated by Texas Motor Vehicle Title and Registration Fees for 2001–2005.............. 8
Exhibit 6. Revenues Distributed by Texas Motor Vehicle Title and Registration Fees for 2005................. 9
Exhibit 7. State Revenues from Texas Motor Vehicle Generated Taxes and Fees for 2005................. 9
Exhibit 8. El Paso County Motor Vehicle Sales Tax Penalties............................. 18
Exhibit 9. Dealer Survey Responses by Geographic Location (Zip Code).................. 22
Exhibit 10. Dealer Survey Responses by Metropolitan Area (Zip Code)................... 23
Exhibit 11. Trade Association Affiliation of Dealers Responding to Survey............... 24
Exhibit 12. Types of Vehicles Sold..................................................................... 24
Exhibit 13. Number of Sales People Employed at Dealership............................... 25
Exhibit 14. Number of Vehicles Sold at Dealership in 2005................................. 25
Exhibit 15. Type of Financing Offered by Dealership......................................... 26
Exhibit 16. Financing Combinations Offered by Dealership............................... 26
Exhibit 17. Is One Employee Responsible for Logging Buyer’s Red Tags?............... 27
Exhibit 18. Are Buyer’s Red Tags Kept In a Secured/Locked Location?................... 27
Exhibit 19. How Are Buyer’s Red Tags Stored/Secured at This Dealership?.............. 27
Exhibit 20. How Many Employees Have Access to Buyer’s Red Tags?.................... 28
Exhibit 21. Responsibility for Assigning Buyer’s Red Tags................................... 28
Exhibit 22. Occurrence of Issuing Additional Temporary Tags after Initial Sale............ 29
Exhibit 23. Concern about Unauthorized Use of Temporary Tags in This Dealership?..... 29
Exhibit 24. Concerns about Unauthorized Use of Red and Black Tags within the Dealership... 30
Exhibit 25. Unlawful Activity Associated with Temporary Tags within the Industry...... 30
Exhibit 26. Unlawful Activities of which Dealers Are Aware.................................. 31
Exhibit 27. Dealer Identified Reasons Why People Avoid Registering a Vehicle............... 32
Exhibit 28. Actions Dealers Felt Would Be Effective in Reducing Abuse of Temporary Tags..... 32
Exhibit 29. Law Enforcement Organizations Represented...................................... 34
Exhibit 30. Unlawful Activity Associated with Temporary Tags within the Industry...... 35
Exhibit 31. Unlawful Activity of which Law Enforcement Respondents Are Aware........ 35
Exhibit 32. Most Frequently Occurring Abuse Identified by Law Enforcement Respondents... 36
Exhibit 33. Actions That Would Be Effective in Reducing Abuse of Temporary Tags...... 36
Exhibit 34. Unlawful Activity Associated with Temporary Tags within the Industry...... 37
Exhibit 35. Dealer and Law Enforcement Respondent Awareness of Unlawful Activity.... 38
Exhibit 36. Actions That Would Be Effective in Reducing Abuse of Temporary Tags...... 38
Exhibit 37. Violations Reported to TxDOT-MVD by Region.................................... 40
Exhibit 38. Violations Reported to TxDOT-MVD by Zip Code................................ 41
Exhibit 39. Urban Area Violations Reported by Zip Code...................................... 42
Exhibit 40. Violations Reported to TxDOT-MVD by Type...................................... 43
Exhibit 41. States Contacted Regarding Temporary Tags...................................... 47
Exhibit 42. Revenues to the Arizona DOT for Internet and IVR Transactions............. 54
Exhibit 43. Advantages and Disadvantages by Type of System for Temporary Tags...... 56
Exhibit 44. Optional Systems Ranked #1 by Dealers–Most Favorable....................... 57
Exhibit 45. Optional Systems Ranked #4 by Dealers–Least Favorable........................ 58
INTRODUCTION

In May 2005, the 79th Texas Legislature approved House Bill (HB) 2702 to address issues raised in the implementation of provisions of the Omnibus Transportation Bill (HB 3588), 78th Legislature, Regular Session, 2003. HB 2702 also addressed other transportation-related issues for the Texas Department of Transportation (TxDOT). On June 14, 2005, the governor of Texas signed into law HB 2702.

Section 3.05 of HB 2702 requires TxDOT to conduct a study of systems for issuing temporary tags for use on unregistered motor vehicles. The purpose of the study is “to ensure the safety of persons and transportation in this state.” The bill set a deadline of November 1, 2006, for TxDOT to report its findings and recommendations to the governor, lieutenant governor, and speaker of the House of Representatives.

In studying the systems for issuing temporary tags for use on unregistered motor vehicles, TxDOT is required to:

1. compare the current system [in Texas] to other potential systems, including systems used in other states;
2. seek input from interested parties, including members of the public, dealers, converters, and law enforcement; and
3. consider issues of public and transportation safety, homeland security, costs, efficiency, and reliability.

TxDOT contracted with the Texas Transportation Institute (TTI) to conduct the study of systems for issuing temporary tags and to prepare a summary of findings. The purpose of this report is to summarize the research by TTI within the scope set forth by TxDOT.

PURPOSE AND SCOPE

TTI is responsible to TxDOT for an independent study of systems for issuing temporary tags for use on unregistered motor vehicles. The scope of the study requires the TTI research team to perform the following tasks:

- Review legislation and administrative code provisions that are pertinent to the requirements of the State of Texas for issuing temporary tags for use on unregistered motor vehicles.
- Seek input from interested parties, including members of the public, dealers, and law enforcement.
- Compare the current system in Texas to other potential systems, including systems used in other states.
- Examine possible issues related to public and transportation safety, homeland security, costs, efficiency, and reliability.
The purpose of this document is to summarize TTI work on all tasks and to document findings and potential approaches to systems for issuing temporary tags for use on unregistered motor vehicles.

CONTENT AND ORGANIZATION OF THIS REPORT

Following this introduction, Section A of the report begins with a review of the purpose of vehicle license plates and temporary tags for unregistered motor vehicles and provides some background about requirements of the State of Texas for issuing temporary tags. Section B details the stakeholder outreach efforts to seek input from interested parties and the results obtained. These efforts included two statewide surveys: a survey of automobile dealers and a survey of representatives of law enforcement agencies. Section C gives an account of the systems used for issuing temporary tags in other states and compares them to the current system in Texas. The survey of dealers conducted as part of the stakeholder outreach effort included the opportunity for dealers to provide opinions about the current system in Texas as compared to other potential systems. Section D of the report presents the results of this portion of the dealer survey. The final section, Section E, is an account of the findings of the research about possible issues regarding temporary tags for unregistered motor vehicles as related to public and transportation safety, homeland security, costs, efficiency, and reliability.
A. LICENSING AND REGISTERING A MOTOR VEHICLE IN TEXAS

The State of Texas assigns license plates to each motor vehicle. Permanent, metal license plates serve three main purposes. First, license plates are an official, unique, and highly visible identification device for each motor vehicle. Second, license plates provide evidence (along with a window sticker) that a vehicle is registered with the state and the required taxes and fees are paid. Finally, license plates provide a mechanism to verify vehicle ownership. When a vehicle is sold, the new permanent license plate signifies title to the vehicle has been transferred to the new owner.

Permanent license plates are not available immediately after a dealer sells a new or used car. Dealers must file all documents necessary to transfer title and register the vehicle for the new owner within 20 working days of the date of sale (approximately one month). The local county tax assessor-collector issues the permanent license plates after transferring the title to the new owner.

TXDOT RESPONSIBILITY

Two different divisions within TxDOT are responsible for administering motor vehicle registration and regulating the motor vehicle industry.

The Vehicle Titles and Registration Division (VTR) is responsible for issuing certificates of title (Transportation Code, Chapter 501) and processing vehicle registration (Transportation Code, Chapter 502). VTR also regulates the sale of specialty license plates, license salvage yards, and is involved with automobile theft prevention activities. The law requires Texas residents who own a motor vehicle to renew their vehicle registration annually with VTR.

The Motor Vehicle Division (MVD) is responsible for regulating the motor vehicle distribution industry in Texas (Transportation Code, Chapter 503 and Occupations Code, Chapter 2031). MVD licenses and regulates motor vehicle dealers and manufacturers. This division is responsible for enforcing dealer licensing regulations that includes investigating complaints against dealers, lessors, lease facilitators, manufacturers, distributors, and converters. Temporary tags are included within the MVD responsibility for regulating motor vehicle dealers and manufacturers. In addition, MVD administers the Texas Lemon Law, which helps consumers who buy or lease defective new motor vehicles.

The Motor Vehicle Commission (governed by the Motor Vehicle Board) merged with TxDOT and became the Motor Vehicle Division in 1991. The MVD acquired jurisdiction from VTR for licensing and regulating motor vehicle dealers and manufacturers by 1995. The MVD scope of responsibility includes enforcing statutory and administrative requirements for temporary tags. Prior to 1995, TxDOT assigned MVD enforcement agents/investigators to field offices around the state. Effective 1995, TxDOT centralized the enforcement personnel in TxDOT headquarters in Austin. The Legislature in 2005 as part of the HB 2702 abolished the Motor Vehicle Board.
The MVD provides consumer protection by enforcing the obligations and responsibilities of licensed dealers. Every dealer with a license is provided with a general distinguishing number (GDN) for identification. One of the privileges of a licensed dealer is the use of temporary tags. The privilege also includes dealer responsibilities and penalties (Transportation Code, §503.038). A possible penalty is cancellation of the dealer’s GDN if the dealer fails to apply for transfer of title for a vehicle the dealer sells or if the dealer misuses or allows misuse of temporary tags.

**REQUIREMENTS FOR TEMPORARY TAGS FOR UNREGISTERED VEHICLES**

In Texas, cardboard tags serve as temporary authorization for use of a motor vehicle on a public highway pending receipt of the permanent license plates. Among other obligations, dealers are responsible for printing, or contracting to print, the temporary tags, marking the tag in ink with required information and displaying the tag on the vehicle before delivering the vehicle to the buyer. All temporary cardboard tags are to be displayed either in the rear window or on the rear license plate holder of unregistered vehicles. When displayed in the rear license plate holder, all printed matter must be visible and may not be covered or obstructed by any plate holder. When displayed in the rear window, the tag shall be attached in such a manner that it is clearly visible and legible when viewed at 15 feet from the rear of the vehicle.

In 1997, the Legislature passed HB 1790 that precluded TxDOT from issuing dealer’s and buyer’s temporary tags; TxDOT can only prescribe the temporary tag color, form, and specifications. Dealers are responsible for printing, or contracting to print, the temporary tags. Because of this limitation on TxDOT authority to issue/contract to issue temporary tags, the tags are not governmental documents until they are properly filled out and affixed to the appropriate motor vehicle. Counterfeited temporary tags are not government documents.

TxDOT proposed legislation during the regular session of the Texas Legislature in 2005 to provide TxDOT the authority to issue/contract to issue dealer, converter, and buyer temporary tags. The legislation failed; however, the Legislature approved HB 2702 with an amendment requiring TxDOT to conduct a study of the temporary tag issue and report its findings to the legislature by November 1, 2006.

The MVD prescribes the specifications for temporary tags in accordance with the Texas Administrative Code (TAC). TxDOT is precluded from issuing dealer temporary tags and buyer’s tags; the department can only prescribe the specifications, color, and form for the tags (Title 43, TAC §8.138, 8.139, and 8.146).

**Types of Temporary Tags**

There are three types of temporary tags used in the state of Texas. Dealer’s black temporary tags may be used to demonstrate vehicles available for sale and may be assigned to vehicles sold to a retail buyer (dealer) pending transfer of title to the new owner. The dealer's black temporary tag may be used on a vehicle without a current inspection sticker in certain circumstances. Dealer’s black tags may be used only when title to the vehicle is assigned or registered to the dealership. A vehicle displaying a dealer’s black tag may not be used for personal business. As of May 1, 2006, each dealer’s black tag should have a unique sequential number. The dealer is responsible for keeping a log to record the unique number for each dealer black tag and the vehicle to which the tag is assigned. There is no expiration date on a dealer’s black tag.
While the black tag is only used by the dealer before the sale of the vehicle, red and blue buyer’s temporary tags are issued to vehicles that are sold to a retail purchaser. The purpose of the buyer’s red temporary tag is to identify the newly sold vehicle as ‘untitled’ pending transfer of title and registration to the consumer. A dealer should issue the buyer only one red tag, and that tag is good for 21 calendar days. Unlike black tags, a buyer’s red tag can be used only on a vehicle with a current inspection sticker. As of May 1, 2006, each buyer’s red tag must have a unique sequential number, which is to be logged in the dealer’s records to document to which buyer the tag is issued.

The blue supplemental buyer’s temporary tag can be issued to a buyer when a buyer’s red tag is expired but only in those instances when a dealer has paid off the lien on the vehicle and the lien holder has not issued the release of the lien within 10 days of the payment. The dealer should issue the blue supplemental buyer’s temporary tag only after the red tag has expired. Only one buyer’s blue tag may be issued for 21 calendar days after the expiration of the buyer’s red tag, for a total of 42 calendar days after the date of sale. Otherwise, blue tags have the same requirements as red tags (Transportation Code, §§ 503.062 and 503.063 relate to dealer’s and buyer’s temporary cardboard tags, respectively).

**Design of Buyer’s Red Tag**

Dealers must have a GDN from the MVD to operate a business in Texas. Until 1997, the buyer’s red tag featured the dealer’s GDN or “P-number” as shown in Exhibit 1.

**Exhibit 1.**
**Buyer’s Red Tag circa 1996.**

A later version of the buyer’s red tag featured a visible expiration date. Exhibit 2 is a buyer’s red tag issued prior to May 2006.
Effective May 1, 2006, each buyer’s red tag must have a unique sequential number logged at the dealer to identify the newly sold vehicle as ‘untitled’ pending transfer of title and registration to the consumer. The dealer is required to keep a log to identify to whom the vehicle was sold. In the current design of the buyer’s red tag, the date fields for expiration month and day are most visible. Exhibit 3 shows the most recent design of the buyer’s red tag.

**PROCEDURES FOR LICENSING AND REGISTERING A MOTOR VEHICLE**

The dealer is obligated to perform a variety of tasks accompanying the sale of a motor vehicle. First, the dealer may provide the consumer with a buyer’s red temporary tag. This tag is valid until the vehicle is registered or the 21st calendar day (whichever is sooner) after date of purchase (TAC §503.063). The dealer must also complete all documents necessary to transfer title and register the vehicle for the consumer (TAC §501.0234) and file this documentation within 20 working days of the date of sale (TAC §152.041(c)). The dealer may or may not finance the sale of the vehicle. For dealer-financed sales, the dealer must be licensed by the Office of the Consumer Credit Commissioner. Finally, the dealer must pay state taxes and any fees on sale of the vehicle (TAC §152.021).

The dealer must submit the following documents to the county tax assessor-collector: certificate of title required for registration (Transportation Code, §502.152), proof of vehicle inspection (Transportation Code, §548.051), and evidence of vehicle emissions inspection (Transportation Code, §502.1535 if conditions within §548.3011 are met). The dealer is no longer required to provide proof of buyer’s insurance. The vehicle owner must arrange for insurance prior to
obtaining vehicle inspection and vehicle registration. The dealer must also pay applicable
registration fees (Transportation Code, §502.159) and taxes (Tax Code, 152.021) when filing an
application for registration of the vehicle.

The county tax assessor-collector is responsible for collecting payment of taxes and fees and
issuing license plates and registration insignia. The tax assessor-collector issues one set of plates
per a vehicle; the plates are valid for a five-year period. The vehicle owner is responsible for
renewing the registration for each of the four years after the plates are issued. Registration is
validated via insignia in the form of a window sticker. The vehicle owner must pay registration
fees annually.

The manner of paying sales tax depends on various conditions. For cash sales, the sales tax is
due no later than the 20th working day after the date of the sale (TAC, §152.041(c)). For “in-
house,” or dealer-financed sales (TAC §152.047), there are three options for paying the sales tax:
(1) pay taxes in full with application for transfer of title, (2) pay taxes in full at next seller-
financed reporting period, or (3) pay taxes at the time of filing the seller-financed reports in
which case tax is paid only on amounts collected. If the dealer does not transfer title within
60 days of sale, all sales tax is due at the time of transfer. If the note is sold to a third party, such
as related finance companies (RFC), all unpaid taxes are due at the time the agreement is
factored, assigned, or otherwise transferred (TAC §152.047(g)). RFC may have the effect of
reducing or deferring the reporting of income with possible federal tax implications.

The purpose of the following discussion is to highlight the vehicle registration and titling process
from the consumer’s perspective. Whenever a vehicle is bought or sold in Texas, state law
requires the vehicle to be titled and registered in the buyer’s name within 20 working days. A
vehicle owner must have either a certificate of title with a metal license plate or a buyer’s red
temporary cardboard tag, which is good for 21 calendar days from the date of purchase of the
vehicle. If the vehicle is purchased from a dealer, the dealer is required to file the title papers on
the consumer’s behalf. If the consumer purchases a used car from a private party, the consumer
must file a title application with the county tax office. The motor vehicle sales (MVS) tax,
which is 6.25 percent of the purchase price, must accompany the title application. The vehicle
owner must also provide proof of liability insurance when applying for title and/or registration.
If a vehicle is sold, the buyer needs to transfer the title to the new owner. If possible, the seller
should accompany the buyer to the tax office to ensure proper transfer. The seller may be
considered the owner of the vehicle until the buyer transfers the title out of the seller’s name or
submits a motor vehicle transfer notification. Transfer of title lets public authorities know that
the seller no longer owns the vehicle.

REVENUES FOR REGISTERING AND LICENSING MOTOR VEHICLES

One of the primary purposes of requiring license plates is to provide evidence (along with a
window sticker) that a vehicle is registered with the state and the required taxes and fees are
paid. The sale of a motor vehicle generates the requirement to pay the Texas motor vehicles
sales tax of 6.25 percent of purchase price. The revenues to the State of Texas from the motor
vehicles sales tax were more than $2.6 billion in 2005, as shown in Exhibit 4.
Exhibit 4.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross MVS Tax*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$2,594,686,000</td>
</tr>
<tr>
<td>2002</td>
<td>$2,726,388,000</td>
</tr>
<tr>
<td>2003</td>
<td>$2,485,557,000</td>
</tr>
<tr>
<td>2004</td>
<td>$2,453,603,000</td>
</tr>
<tr>
<td>2005</td>
<td>$2,623,086,000</td>
</tr>
</tbody>
</table>

*6.25% of sales price

Source: Texas Comptroller of Public Accounts

Title and registration fees are also associated with the sale of a motor vehicle. In addition, state law requires Texas residents who own a motor vehicle to renew their vehicle registration each year and pay an annual registration fee. As illustrated in Exhibit 5, the revenue generated from Texas motor vehicle title fees was approximately $168 million in 2005, and revenue for registration fees was approximately $1.3 billion.

Exhibit 5.

<table>
<thead>
<tr>
<th>Year</th>
<th>Title Fees</th>
<th>Registration Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$67,282,826</td>
<td>$1,168,472,582</td>
</tr>
<tr>
<td>2002</td>
<td>$68,679,325</td>
<td>$1,222,922,383</td>
</tr>
<tr>
<td>2003</td>
<td>$67,026,505</td>
<td>$1,217,657,536</td>
</tr>
<tr>
<td>2004</td>
<td>$162,167,095</td>
<td>$1,261,728,633</td>
</tr>
<tr>
<td>2005</td>
<td>$167,916,949</td>
<td>$1,312,365,547</td>
</tr>
</tbody>
</table>

Source: Motor Vehicle Registration by Year, TxDOT Finance Division; Prepared by Administration Operations, February 1, 2006.

In 2003, the 78th Legislature enacted HB 1365 to increase the title fees effective in fiscal year 2004 from $13 to $33 in affected counties (an affected county does not meet national standards for air quality) or $28 in all other counties. From the fee received of either $28 or $33, $5 is distributed to the State General Fund; $3 to the State Highway Fund; $5 to the county; and either $15 or $20 to the State General Fund-Texas Emissions Reduction Plan (TERP).

Motor vehicle registration fees are distributed to the State Highway Fund and the county according to the county road and bridge formula (Transportation Code, § 502.102).

Revenues generated for the State of Texas and local governments from registering and licensing motor vehicles represented $4.1 billion in 2005. Exhibit 6 reports the revenues distributed to state funds and to counties.
Exhibit 6.  
Revenues Distributed by Texas Motor Vehicle Title and Registration Fees for 2005.

<table>
<thead>
<tr>
<th>2005 Revenues</th>
<th>Title Fees</th>
<th>Registration Fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Revenue</td>
<td>$26,562,555</td>
<td>n/a</td>
</tr>
<tr>
<td>State Highway Fund</td>
<td>$15,937,533</td>
<td>$875,123,731</td>
</tr>
<tr>
<td>General Revenue TERP</td>
<td>$98,854,306</td>
<td>n/a</td>
</tr>
<tr>
<td>County</td>
<td>$26,562,555</td>
<td>n/a</td>
</tr>
<tr>
<td>County Road and Bridge</td>
<td>n/a</td>
<td>$431,665,403</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$167,916,949</strong></td>
<td><strong>$1,306,789,134</strong></td>
</tr>
</tbody>
</table>

Source: Motor Vehicle Registration by Year, TxDOT-Finance Division;  
n/a - Not applicable

The sales tax from motor vehicles sales and the fees for titles and registration for motor vehicles are major sources of revenue to the State of Texas. Almost $3.7 billion of motor vehicle generated revenues were deposited to the state general fund or highway fund in 2005. Exhibit 7 provides the source of the 2005 revenue and the fund allocations.

Exhibit 7.  
State Revenues from Texas Motor Vehicle Generated Taxes and Fees for 2005

<table>
<thead>
<tr>
<th>2005 Revenues</th>
<th>State General Revenue</th>
<th>State General Revenue-TERP</th>
<th>State Highway Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>State MVS Tax Revenue</td>
<td>$2,623,086,000</td>
<td>n/a</td>
<td>$15,937,533</td>
</tr>
<tr>
<td>Title Fees</td>
<td>$26,562,555</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Registration Fees</td>
<td>n/a</td>
<td>$98,854,306</td>
<td>$875,123,731</td>
</tr>
<tr>
<td>Subtotals</td>
<td>$2,649,648,555</td>
<td>$98,854,306</td>
<td>$891,061,264</td>
</tr>
<tr>
<td><strong>Total General Fund</strong></td>
<td><strong>$2,748,502,861</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Highway Fund</strong></td>
<td><strong>n/a</strong></td>
<td></td>
<td>$891,061,264</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>$3,639,564,125</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Motor Vehicle Registration by Year, TxDOT Finance Division;  
Table prepared by TTI from data reported by TxDOT.  
n/a - Not applicable

CONCERNS ON RECORD

When the Motor Vehicle Board was dissolved by HB 2702 in 2005, its powers and duties were transferred to TxDOT-MVD. Many of the rules were repealed and reenacted without change, but there were some general rule changes to reflect the new delegation of duties. Public hearings were held to receive comments relating to the proposed rule changes. Additional proposals that were considered at the hearings were the result of other legislation or policy changes.

Rule hearings were held in San Antonio on November 2, 2005, El Paso on November 10, 2005, Pharr on November 17, 2005, Arlington on November 30, 2005; and Houston on December 6, 2005. The purpose of the rule hearings was to receive comments on the proposed text of the new sections to the TAC; questions from the floor were not debated or discussed during the hearings. Copies of the proposed rule changes were made available to the public at the registration table.
At the beginning of the hearings, TxDOT-MVD staff explained the following proposed changes relating to motor vehicle distribution and design of temporary tags:

- New Title 43, TAC §8.114 allows manufacturers and distributors to sell used vehicles to dealers through wholesale auctions and provides for the cancellation of all general distinguishing numbers held by manufacturers and distributors that are not statutorily authorized.

- New Title 43, TAC §8.133(e) deletes the requirement that corporations provide verification of the payment of franchise taxes prior to obtaining a license.

- Revisions to Title 43, TAC §8.138, 8.139, and 8.146 relate to the redesign of temporary tags and dealer plates and require the dealers to maintain records regarding their issuance. The prominent feature change to the temporary tag is the phrase “untitled vehicle,” instead of the dealer’s P-number or expiration date. The material on the tag is 24-point, polycoated C2S (i.e., coated, two sides) board. Tags no longer contain the department flying T logo, and printers are no longer required to execute licensing agreements with the department to print temporary tags. The proposed changes require that all temporary tags contain a unique sequential number printed on the front of the tag. Tags placed in the rear window of a vehicle must be visible from a distance of 15 feet.

The rule hearings noted above addressed the changes to specifically redesign temporary tags and dealer plates and require the dealer to maintain records regarding their issuance. Generally, two groups of witnesses testified about these changes at these hearings: (1) law enforcement, in support of the proposed changes; and (2) dealers, in opposition to the proposed changes. Frequently during witness testimony regarding these proposed changes, the individual witness introduced the topics of electronic temporary tags and satisfaction/dissatisfaction with the current temporary tag system.

A list of the stakeholder concerns and comments regarding the current temporary tag system or proposed changes to the system is provided below. The list was produced from the testimony/documentation for the following public hearings or rule hearings: March 30, 2005, Texas Senate Transportation and Homeland Security Committee Hearing; May 20 and 21, 2005, Texas Senate floor debate; five rule hearings noted above, Texas Transportation Commission meetings (July 28, 2005 in Brownwood, September 29, 2005 in Austin, and January 26, 2006 in Conroe); and TxDOT-MVD briefing and historical materials.

**State of Texas–Loss of Revenue and Code Violations:**
- sales tax, registration fee, and insurance coverage avoidance;
- state vehicle inspection, emissions inspection, and toll fees avoidance;
- parking ticket fine avoidance (local level); and
- violations of Texas Transportation Code: (1) temporary registration permits are non-transferable between vehicles/owners; (2) if the vehicle is disposed during the time the permit is valid, the permit must be returned to the department immediately.
Car Dealers–Comments Regarding Current System (prior to May 2006):

- minimal costs to the car dealer (printing costs only);
- consumer is not charged a fee for temporary tag;
- temporary tags are easily obtained and distributed to personnel as needed;
- current system is ‘user-friendly’ for both large and small dealerships;
- consumer privacy is important and is protected with the current system; and
- although some abuses occur, current system is not broken.

Car Dealers or Associations–Comments Regarding Proposed New System:

- a centralized system in a state agency could affect their livelihood and be used against them;
- government intervention where not needed;
- fee absorbed by dealers or consumers?; and
- concern regarding transition period from one system to another.

Consumers–Comments Regarding Current System:

- single largest complaint is failure to pass title–average length of time, 13 months;
- bureaucratic ‘nightmare’ trying to obtain title when ‘buy here, pay here’ dealers go out of business; and
- difficult to recover damages to vehicle if the owner/vehicle cannot be identified.

Law Enforcement:

- stolen vehicles and other crimes–no database entry; can’t ‘run’ legitimate or ‘illegitimate’ temporary tags;
- identify owners and vehicles w/temporary tags; officer safety–cannot reach dealers during evening hours;
- counterfeit black and red tags–can only charge offender with Class “C” misdemeanor; a counterfeit tag is not a government document;
- dealer “P” numbers cannot be entered into the National Crime Information Center or Texas Crime Information Center;
- cardboard tags are not detected by electronic license plate readers on border bridges;
- toll authorities have no way to contact toll violators; and
- Black tags have virtually no vehicle/owner information; red tags do have dealer info.

Several law enforcement officers commented that temporary tags are not considered to be government records and that there is no penalty for counterfeiting or altering a temporary tag. One officer stated that three district attorneys in three different counties advised him that they could not successfully prosecute for tampering with the government record unless they could prove harm. A representative of a dealer association offered an opposing reference by citing Martinez v. The State of Texas, 6 S.W.3d 674 (Tex. Civ. App.–Corpus Christi 1999, no writ), where the court held that a motor vehicle buyer’s tag is a government document because it is a record required by law to be kept by others for information of government. The court distinguished between a governmental record “issued by the government” and one that is “issued pursuant to the government’s instruction.”
The difference appears to be a matter of degree. Temporary buyer’s tags are considered to be records required to be kept by others for information of government (Penal Code, §37.01(2)(B). However, a temporary tag does not become such a record until the required information is written on the tag. There are no criminal penalties for misuse of a blank tag. Under Penal Code, §37.10(c)(1), an offense is a Class A Misdemeanor unless the person’s intent is to defraud or harm another, in which event the offense is a state jail felony. There are provisions in §37.10(g) that hold that a person is presumed to defraud or harm another if the offender acts with regard to two or more government documents and the documents are licenses, certificates, or permits issued by the government. Temporary tags are not considered licenses, certificates, or permits issued by the government and, therefore, are not subject to enhanced penalties unless intent to defraud or harm can be proven. Under Transportation Code, §§503.062, 503.0625 and 503.063, temporary tags cannot be issued by the department.
B. STAKEHOLDER OUTREACH

The TTI research team sought input from interested parties about the systems for issuing and the use of temporary tags on unregistered motor vehicles. The stakeholders represented an array of agencies with different points of view. The intent of this outreach was to gather information and opinions about the strengths and weaknesses of the current temporary tag system in Texas and to gain knowledge of stakeholder perceptions of other possible systems. The stakeholders were asked about issues of public and transportation safety, homeland security, costs, efficiency, and reliability.

Research identified eight major categories of stakeholders and outreach methods were adapted specifically for each audience. The stakeholders and outreach methods include:

- **Texas Department of Transportation:**
  - meetings with MVD, and
  - meetings with VTR.
- **State of Texas Comptroller of Public Accounts:**
  - interview with tax division, and
  - contributions from enforcement division in listening session.
- **Motor Vehicle Dealers:**
  - discussions with representatives from associations,
  - focus group discussions,
  - observation TxDOT training for dealers, and
  - statewide web-based and paper survey.
- **Law Enforcement:**
  - listening session, and
  - statewide web-based survey.
- **Consumers:**
  - review records of formal violations reported to TxDOT-MVD in the two-year period 09/01/2003–08/31/2005.
- **County Tax Assessor-Collector:**
  - interviews with the tax assessor-collectors in three counties in Texas–Harris, Williamson, and El Paso.
- **Toll Authorities:**
  - telephone interviews with Texas Turnpike Authority (TTA), and
  - data from Harris County Toll Road Authority (HCTRA) and North Texas Tollway Authority (NTTA).
- **Insurance:**
  - telephone interviews.

Several different outreach efforts were used to gather comments about the current temporary tag system in Texas and other systems used by other states. The following describes each of the outreach efforts performed and which groups or agencies participated.
INTERVIEWS

The following stakeholders participated in interviews:

- **Dealer Associations:**
  - Texas Automobile Dealers Association (TADA), and
  - Texas Independent Automobile Dealers Association (TIADA).

- **State Agencies:**
  - Texas Department of Transportation: VTR, and TTA.
  - Comptroller of Public Accounts, Tax Policy Division,
  - County Tax Assessor-Collectors: Harris County, Williamson County, and El Paso County.
  - Texas Department of Insurance, Fraud Division.

**Dealer Association Interviews**

Stakeholder outreach efforts began by interviewing the TADA and the TIADA. TTI conducted separate interviews for each association. The TTI research team interviewed Karen Philips, the Executive President/Chief Counsel for the TADA. The intent of the interview was to gain insight into the association’s position on the current temporary tag system and future possibilities. An outline of interview questions is included in Appendix A.

The key points taken from this interview reveal that the association feels the current system is easy to use and complete. The association is not convinced there is misuse of temporary tags by either dealers or motorists. The primary reason for this belief is a lack of definitive evidence. The membership feels that any problem that does exist can be remedied through stricter law enforcement of counterfeiting of temporary tags. Although increased security features on temporary tags would increase the cost of the tag, the association is not opposed provided there are no changes to the current system. The association is supportive of a system that incorporates real-time registration that allows information sharing among agencies through a common database. This would be an advantage of an electronic tag (e-tag) registration system. However, there are still many unanswered questions related to an e-tag system.

TTI also conducted an interview with the Executive Director, Jack Durham, and General Counsel, Michael Dunagan for the TIADA. This provided the TTI research team with the association’s position regarding the current temporary tag system and the direction for the future. Similar to the TADA, the association feels the current system is working well. There is not opposition to an electronic system; however, there is opposition to some of the specifications. Real-time registration is a positive aspect of an electronic system. Like TADA, the association feels that changes to the current system place an unfair burden on dealers and believe the issue should be addressed from a law enforcement perspective.
State Agency Interviews

To gain an understanding of the current permanent registration process, the TTI research team interviewed TxDOT VTR Director Rebecca Davio and Deputy Director Mike Craig. The interview provided information on the current electronic registration and titling system (RTS). The system was implemented as a result of large counties seeking automated procedures. The division will soon be working on a strategic plan and intends to coordinate activities with the MVD.

Three employees of the Texas Comptroller of Public Accounts’ Tax Policy Division were interviewed. Those involved in the interview included Division Manager Bryant Lomax, Tim Pingree, and Curt Swenson. They provided information on how taxes and fees are collected at the time of registration by the buyer as well as how a dealer reports sales tax. Almost $3.7 billion of revenue generated by motor vehicles sales and fees for registration and title goes to the state general fund or the highway fund each year (see Exhibit 7).

The majority of this revenue is from the motor vehicle sales tax. There may be a loss of revenue associated with situations where dealers repetitively issue buyer’s red temporary tags because this delays payment of the motor vehicle sales tax as well as registration and title fees. However, no records are kept so it is difficult to estimate the loss. In addition, seller financing poses additional challenges because the sales tax is collected by the dealer and remitted to the state as payments are made. Therefore, the state is not collecting the revenue in a lump sum payment at the time of the sale.

Interviews with County Tax Assessor-Collectors

In order to identify possible differences in attitudes or issues with temporary tags at different geographic locations, TTI interviewed representatives from three county tax assessor-collector offices: Williamson County, Harris County, and El Paso County.

Alma Russell, Director of Motor Vehicles for Williamson County, was interviewed about the possible issues they face surrounding temporary tags. Williamson County served as a pilot county for the initiation of the RTS system. The county collects approximately $2–3 million monthly in sales tax and they assess roughly $40,000 monthly in penalties and late fees. At the county level, tracking the possible loss of revenue due to temporary tag misuse is difficult because specific information is not reported. The biggest problem in Williamson County is individuals selling a large volume of motor vehicles without a dealer’s license. She is only aware of a couple of instances where tag misuse was seen in her office. The county would very much like to see a system integrated with the RTS that provides for common databases of basic information that would automatically populate various fields. This would ease the county’s workload immensely.

TTI interviewed Harlan Chiles, the Associate Director of Automobile Services for Harris County, about experiences in the Houston area. Also participating in the discussion were regional managers Debbie Duhon and Tressia Nichols. The tax assessor-collector is responsible for collecting motor vehicles sales tax, motor vehicle title and registration fees, property taxes for Harris County and other jurisdictions, and voter registration. The Automobile Services group processes the fees for transfer of titles, vehicle registration, and various vehicle permits. In 2005,
the Harris County tax assessor-collector was responsible for collecting almost $727 million in motor vehicle title and registration fees. This represents about 20 percent of total motor vehicle generated sales tax and fee revenues collected in the state. Of the $727 million collected in Harris County in 2005, about $13 million were title fees, $199 million in various motor vehicle registration fees, and $515 million in motor vehicle sales tax.

A problem for Harris County is the lack of utility of the RTS electronic record-keeping system. The system is not real-time and does not provide the Harris County tax assessor-collector staff the type of information retrieval system that can make the clerks more efficient and more accurate. The Harris County tax assessor-collector keeps a copy of all transactions on microfilm for 90 days and then destroys the record. The original title and paperwork are sent to the State. Trying to track down historical information is very time consuming and burdensome for everyone. There is no way to find the data in a database with convenient cross-references.

The regional managers told the TTI research team they could speak from direct experience to report experiences. The regional managers said that dealers who sell used vehicles are often late to file for title transfer either because the dealer is waiting for title from the original owner (and should not be selling a vehicle without possession of title), or the dealer is trying to get cash up front from the buyer to pay tax, title, and license fees. The dealer will wait to receive funds from the buyer for a few months before going to the tax assessor-collector. The dealer will enter a recent date of sale to avoid penalty for late transfer of title and registration, but the date of lien may be several months before. The clerks at the window of the tax assessor-collector can see the discrepancy on the dates. However, the absence of an electronic system to verify date of sale makes it difficult to penalize the dealer. What is lost is the penalty fee and the interest on revenues not paid to the county timely. The representatives of the Automobile Services group at Harris County said the only way they can know of violations is based on the complaints of a consumer or another dealer.

The Harris County tax assessor-collector has one main office and 14 branches to collect taxes and fees. On average, there are about eight collection windows at each location, totaling about 120 collection windows in the county. In March 2006, the county handled about 90,000 title transfers, comprised roughly of 28,000 events for new car dealers and 62,000 events for individuals or used car dealers. Harris County processes about 22 percent of the volume of motor vehicle transactions in the state. In 2005, Harris County collected penalties on late payment of sales tax of $2.3 million and $492,000 on delinquent transfer of titles. There were about 49,200 events with a penalty charged, or on average, 200 events per day. The penalty is about 0.4 percent of annual motor vehicle sales tax collections. Since Harris County collects about 20 percent of all motor vehicle related taxes and fees in the state, the equivalent statewide value of the penalty of late payment of sales tax is about $11.5 million per year. This may be a conservative estimate. See the discussion for El Paso County below. The Harris County tax assessor-collector staff told the TTI research team this revenue is based on the identified violations. The revenue collected for late fees is understated because of the limitations of the data system as described above.

The interview in El Paso involved the following individuals representing the El Paso County tax assessor-collector’s office: Victor A. Flores, El Paso County Tax Assessor-Collector; Norma Favela, Chief Deputy Tax Assessor-Collector; Carmen Lopez, Director for Motor Vehicle Titling and Registration; and Sergio Garcia, Investigator. Also participating in the interview was
Ruben Gonzalez, VTR Regional Branch Manager for Vehicle Titles and Registration Division, El Paso Region, TxDOT.

The El Paso County group made six major points for the record:

(1) Used car dealers in El Paso County usually finance their own sales. The dealers will not transfer the title to a vehicle until the vehicle is paid for. By delaying transfer of title, the dealer can repossess and resale the vehicle. The tax assessor-collector in El Paso County knows this because he hears it from customer complaints and then he sends his own investigator to look into the dealer’s actions.

(2) Many dealers get into the sale of vehicles without knowing the rules. There is not enough training. There are 245 licensed dealers in El Paso, but only one enforcement class limited to 80 participants in a year. The training is taught only in English. The TxDOT staff in Austin is not tuned in to issues along the Texas-Mexico border.

(3) Dealers will steal another dealer’s tags to place on vehicles. When law enforcement or the tax assessor-collector inspectors investigate the specific tag, the vehicle number will not track to the dealer listed on the tag.

(4) Some local residents will not pay a warrant until required to clear the warrant in order to get a clear registration for a vehicle. Vehicle registration is more important than the outstanding warrant.

(5) The problems are more severe along the border: more small dealers; fewer educated dealers; fewer dealers know the rules; more individuals selling vehicles without a dealer’s license. Although the rule is, a dealer cannot sell a vehicle until the dealer has the title, business along the border does not work that way. Counterfeit tags are very easy to find. Tags are available in Mexico with any variety of dealer names. Law enforcement is ineffective—why bother with a junky car.

(6) Franchise dealers float funds and there is no advantage in paying taxes and fees timely as long as there is no effective way to monitor the system.

The El Paso County tax assessor-collector has an enforcement division. Consumer complaints are so extensive they cannot possibly rely on centralized enforcement from Austin. Mr. Flores said it is important to have his own investigators. The El Paso County tax assessor-collector established the enforcement division about four years ago. The counties of Webb (Laredo), Cameron (Brownsville), and Hidalgo (McAllen) may be establishing enforcement divisions, too.

Another problem is use of counterfeit tags by curbstoners. Curbstoning is unlicensed vehicle sales. A person who sells vehicles on the street or “at the curb” instead of at a dealership location could be “curbstoning.” An unlicensed dealer can go to Juarez and buy his own dealer plates or temporary tags for $5.00. Tags are placed on salvage vehicles and sold for use, despite the safety risks.

El Paso County is aggressive about collecting penalties on late filing of title transfer and payment of sales tax. The tax assessor-collector provided month by month data (see Exhibit 8) on penalties collected for transfer of title after 20 working days of sale.
Exhibit 8.
El Paso County Motor Vehicle Sales Tax Penalties.

<table>
<thead>
<tr>
<th>Month</th>
<th>FY 05–06</th>
<th>FY 04–05</th>
<th>FY 03–04</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>$28,344</td>
<td>$25,972</td>
<td>$24,226</td>
</tr>
<tr>
<td>November</td>
<td>$25,875</td>
<td>$18,093</td>
<td>$18,798</td>
</tr>
<tr>
<td>December</td>
<td>$23,788</td>
<td>$18,064</td>
<td>$20,049</td>
</tr>
<tr>
<td>January</td>
<td>$26,004</td>
<td>$22,101</td>
<td>$23,434</td>
</tr>
<tr>
<td>February</td>
<td>$29,006</td>
<td>$24,572</td>
<td>$20,792</td>
</tr>
<tr>
<td>March</td>
<td>$37,642</td>
<td>$28,629</td>
<td>$30,317</td>
</tr>
<tr>
<td>April</td>
<td>$31,641</td>
<td>$43,602</td>
<td>$22,803</td>
</tr>
<tr>
<td>May</td>
<td>$35,363</td>
<td>$33,357</td>
<td>$30,538</td>
</tr>
<tr>
<td>June</td>
<td>NA</td>
<td>$30,479</td>
<td>$28,888</td>
</tr>
<tr>
<td>July</td>
<td>NA</td>
<td>$30,287</td>
<td>$32,699</td>
</tr>
<tr>
<td>August</td>
<td>NA</td>
<td>$37,775</td>
<td>$30,485</td>
</tr>
<tr>
<td>September</td>
<td>NA</td>
<td>$32,094</td>
<td>$29,720</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$237,663</strong></td>
<td><strong>$345,025</strong></td>
<td><strong>$312,748</strong></td>
</tr>
</tbody>
</table>

Source: El Paso County Tax Assessor-Collector, 2006

Sales Tax Penalties recorded are net of dishonored checks and VTR Funds Adjustments.

NA – Not available

In fiscal year 2004–05, the motor vehicle sales tax penalties in El Paso County were approximately 0.6 percent of annual motor vehicle sales tax collections. If an equivalent penalty rate is applied to state motor vehicle sales tax collections in fiscal year 2005 ($2,623,086,000), the equivalent value of the penalty for the State is $15,700,000.

**Toll Authorities**

In addition to the methods of outreach reported above, the TTI research team also received e-mails and information from various other stakeholders.

The toll authorities in Texas have indicated a substantial problem with enforcing toll violations on vehicles with temporary tags. The TTI research team talked with the HCTRA and the NTTA as well as the TxDOT TTA. Changes in the design of temporary tags as of May 1, 2006, have not provided assistance to identify the toll tag violator. HCTRA told the TTI research team that cameras in the toll lanes do not capture a photograph with sufficient resolution to read either the dealer name or the unique vehicle number on the temporary tag (see Exhibit 3).

In 2005, HCTRA reported there were 319,302 toll violations attributed to vehicles with temporary tags out of 3,621,483 violation events. NTTA estimates lost revenue due to toll violations by vehicles with temporary tags was $192,000 in 2005.

The TTI research team also received anecdotal information from the TTA that toll violators using temporary tags are a serious potential problem. An example from the Transportation Corridor Agencies in southern California indicated that there are several dealerships located along a toll road that regularly take advantage of dealer plates to avoid paying tolls. A representative of TTA told the TTI research team that having a unique number on the paper plate
that could be read by an overhead camera in the toll lane and linked to the vehicle owner is a very beneficial step in alleviating this problem.

As more and more areas of the state develop toll road projects with electronic toll collection and enforcement, the concern about toll avoidance by using temporary tags will increase. The financial impact to the project sponsor is significant.

**Local Government Traffic Violations**

Local governments in Texas are testing the implementation of video cameras to identify traffic violators at traffic lights at intersections. The concept is that a camera is posted at an intersection to record the license plate of each vehicle that runs a red light or other similar offense at a traffic light. The violator is then notified and ticketed by mail. The offender is charged with a traffic fine.

If the license plate cannot be identified on the video, the offender cannot be identified and cannot be fined. The violator’s behavior is not addressed, and the local government loses the revenues associated with the traffic fine. The TTI research team talked with other researchers who are familiar with the red light video technology and learned that cameras at the intersections do not capture a photograph with sufficient resolution to read either the dealer name or the vehicle identification on a temporary tag.

The TTI researchers conclude that violators with temporary tags may not be apprehended and then fined by local governments using the video technology. In the worst case, the benefit afforded by the use of temporary tags could encourage misuse of the tags.

**Other Outreach Attempts**

The TTI research team also contacted the Department of Insurance Fraud Unit to determine if temporary tags were a factor in any of its investigations. This was not reported as an issue. The TTI research team made several unsuccessful attempts to contact other agencies or individuals that could speak to the concerns from stakeholders responsible for motor vehicle insurance.

The attorney for TADA told the TTI research team that the association receives complaints from dealers about insurance companies. If an accident occurs while a driver is test-driving a vehicle, the driver’s insurance company does not want to pay because the driver does not have title to the vehicle. Likewise, if an accident occurs while a vehicle has a temporary tag, the buyer’s insurance company declines to pay the claim because the title is not officially transferred as long as the vehicle is operated with a temporary tag. In both instances, the dealer is at risk.

As noted earlier, the data collection methodology makes it difficult to assess the extent of the problems associated with temporary tags. The TTI research team formally requested data from the Chief of the Criminal Investigations Division Headquarters at the Texas Comptroller’s Office. No response was received.
FOCUS GROUPS

Focus groups are an effective mechanism to engage numerous points of view concerning a common topic. This outreach effort provides an opportunity to discuss the awareness of a particular topic. While not statistically significant, a focus group can represent the views of an organization. The TTI research team conducted focus group discussions with automobile dealers from Houston and Bryan-College Station. Appendix 1 to this report provides the interview outline for the focus group.

Houston Dealers

The Houston Independent Automobile Dealers Association (HIADA) participated in a focus group held in Houston on April 25, 2006, at the TTI Houston office. The Houston Automobile Dealers Association (HADA) declined the invitation from TTI to participate in a separate focus group. The HIADA focus group included 11 attendees representing different types of dealers within the association.

The focus group began with introductions of the research team as well as the participants. A member of the TTI research team described the purpose and intent of the focus group. The participants completed a draft survey for the purposes of comprehension and readability rather than data collection. A later section of the report describes the survey in more detail. The participants and the facilitators went over the survey in detail to ensure the questions were properly worded and that it would be understandable to other motor vehicle dealers.

The group then explored the issues surrounding various types of temporary tags. Most participants agreed there might be abuse of the current system. Specifically mentioned some dealers used the “float” to avoid paying sales tax or to extend the time before paying the tax. The practice of “predatory lending” whereby a dealer will continue to issue red tags until a buyer has met the down payment was specifically cited as an abuse of the current system. Suggestions for improving the current system include more enforcement by TxDOT of dealers including pre-license inspections. The group is aware that TxDOT has limited resources but it was felt that an improvement would be the decentralization of enforcement functions. They believe this should be handled at the district level.

The group was supportive of an electronic tag system. There are advantages to both dealers and consumers. They would like to see an integrated system with the RTS system sponsored by TxDOT VTR and it must operate in real-time.

Bryan-College Station Dealers

The TTI research team conducted a focus group with the Bryan-College Station New Car Dealers Association (NCDA). The participants included five members from various franchise dealerships in the area. The topic of conversation centered on the questions of the on-line dealer survey created by the TTI research team. In general, the dealers believe the recent changes to the system, as of May 1, 2006, should alleviate a large portion of the misuse of temporary tags. However, they felt additional enforcement of dealers will help as well. On the issue of the current system, they viewed the additional record keeping as burdensome, but feel dealers have
more control. Dealer opinions about an electronic system were mixed; a few dealers voiced concerns including increased workload and computer system failure.

DEALER SURVEY

Dealers are a large stakeholder group in the temporary tag process. TTI developed a web-based electronic survey as an effective method to reach over 17,000 licensed dealers in Texas. The initial survey questions were developed based on interview comments from TADA, TIADA and meetings with TxDOT staff. Subsequent meetings with TxDOT and the focus group with Houston area dealers aided in the development of the final survey instrument as shown in Appendix 2. TTI discussed several options with the TxDOT staff on how to contact the dealers including mailing the entire survey, e-mailing the web link, and mailing a postcard. The research team decided that mailing a postcard to all of the dealerships requesting that they take the survey on-line would be the most effective approach.

TTI staff developed the postcard, and TxDOT then printed and mailed it to a mailing list of over 17,000 dealers. Appendix 3 shows the postcard. It was important to note on the postcard that survey respondents would remain anonymous and that there was a time limit to complete the survey.

The preliminary electronic survey was created using the survey questions taken directly from the original survey document that was pilot tested, but the formatting of some of the questions had to be changed due to the limited capabilities of the survey editor software. Specifically, the original survey document contained several questions in the form of matrices, which could not be replicated for the on-line survey. While creating the on-line survey, the questions themselves remained the same but the ways in which they were presented were changed to accommodate the software’s limitations. With additional input from TxDOT staff, the survey instrument was modified to include deleting questions on blue supplemental temporary tags, placing questions about how the dealership handles red and black temporary tags in separate sections to avoid confusion, asking separate questions about the security of red and black temporary tags instead of asking about the security of temporary tags in general, and adding a section on enforcement of temporary tags.

As a final method to test the survey questions, TTI attended the MVD dealer-training seminar in Abilene, Texas, on May 4, 2006. MVD conducts these seminars throughout Texas informing dealers, prospective dealers, and enforcement agencies about various aspects of vehicle registration. One of the modules in the training session specifically addresses vehicle temporary tag registration. Approximately 80 individuals in attendance received a paper copy of the electronic survey before and after this module. No changes to the survey occurred after this pilot test.

TTI activated the link to the survey on May 14, 2006, and the link remained live until June 16, 2006. Two weeks before the survey was to terminate, TTI contacted TADA, TIADA and HIADA to ask each association to send an e-mail to their respective members reminding them to complete the survey before the termination date. The e-mail also included a PDF version of the web-based survey so that dealers could mail or fax their responses to TTI in lieu of taking the web-based survey. By this method of survey distribution, every dealer licensed by MVD received a direct mail notification of the survey. Accordingly, every dealer in the state had the
opportunity to participate in the survey. Additional efforts ensured that stakeholders, including the dealer associations, had the opportunity to encourage their member groups to take advantage of this opportunity. The availability of the survey in electronic or hard copy form ensured no dealer was denied the chance to respond due to lack of Internet or computer access. A total of 545 responses to the survey were received in hard copy by fax or mail.

The survey respondents represented a cross-section of dealers in the state of Texas when criteria such as geographic location, trade association representation, size by number of sales personnel, and size by vehicles sold are each considered. Zip codes provide a method to track geographical distribution of the respondents to the dealer survey. This information was used to compile a map showing the number of responses by zip code across the state (see Exhibit 9).

Exhibit 9.
Dealer Survey Responses by Geographic Location (Zip Code).

Source: TTI based on dealer responses.
Exhibit 9 shows that responses were received from locations all over the state. As the graphic shows, many of the zip codes with only one response (orange) correspond to rural areas whereas multiple responses were more likely to be received from smaller zip codes representing more populated areas.

In order to better see the number of responses received from metropolitan areas, close-up views of the Dallas-Fort Worth, Houston, and Austin-San Antonio areas were created. Exhibit 10 illustrates the number of responses by zip code in the major metropolitan areas.

**Exhibit 10.**
Dealer Survey Responses by Metropolitan Area (Zip Code).

Source: TTI based on dealer responses.
The orange shaded zip codes (indicating one respondent per zip code) become more numerous the further the graphic moves from the center of the urban area. Zip codes with more than one response are close to more densely populated centers of these urban areas. The graphic also shows that more responses were received from the Dallas-Fort Worth area than Houston or Austin-San Antonio.

The survey began by asking the respondents several questions about some specifics of the dealership. These questions were intended to obtain the characteristics of the dealerships the respondents represented. The first question asked respondents to indicate which trade associations, if any, their dealership holds membership. Exhibit 11 shows that 42 percent of the responding dealers are members of the TADA and 32 percent are not affiliated with any trade association.

### Exhibit 11.
**Trade Association Affiliation of Dealers Responding to Survey.**

<table>
<thead>
<tr>
<th>Affiliation</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>TADA</td>
<td>228</td>
<td>42%</td>
</tr>
<tr>
<td>Local Dealer Associations</td>
<td>83</td>
<td>15%</td>
</tr>
<tr>
<td>TIADA</td>
<td>103</td>
<td>19%</td>
</tr>
<tr>
<td>Local Independent Dealer Assoc</td>
<td>49</td>
<td>9%</td>
</tr>
<tr>
<td>Texas Motorcycle Dealers Assoc</td>
<td>9</td>
<td>2%</td>
</tr>
<tr>
<td>Texas Recreational Vehicle Dealer Assoc</td>
<td>14</td>
<td>3%</td>
</tr>
<tr>
<td>Nat’l Assoc Buy Here Pay Here Dealers</td>
<td>20</td>
<td>4%</td>
</tr>
<tr>
<td>None</td>
<td>177</td>
<td>32%</td>
</tr>
</tbody>
</table>

*Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Multiple responses permitted.*

When asked what types of vehicles the dealership sold, 38 percent sold new passenger vehicles and 86 percent of the respondents sold used passenger vehicles. Survey respondents also represented dealers that sell motorcycles, motor homes, recreational vehicles and trailers or semi-trailers. Exhibit 12 provides totals for each type of vehicle sold as reported by respondents.

### Exhibit 12.
**Types of Vehicles Sold.**

<table>
<thead>
<tr>
<th>Types of Vehicles Sold</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>New passenger vehicles</td>
<td>207</td>
<td>38%</td>
</tr>
<tr>
<td>Used passenger vehicles</td>
<td>470</td>
<td>86%</td>
</tr>
<tr>
<td>New/used motorcycles</td>
<td>44</td>
<td>8%</td>
</tr>
<tr>
<td>New/used motor homes</td>
<td>33</td>
<td>6%</td>
</tr>
<tr>
<td>New/used towable recreational vehicles</td>
<td>41</td>
<td>8%</td>
</tr>
<tr>
<td>Trailers or semitrailers</td>
<td>38</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Multiple responses permitted.*
Two of the questions in the survey were specifically asked to learn the size of the dealerships. The first of these questions asked respondents how many sales people were employed at the dealership. Exhibit 13 provides the responses. The dealers responding to the survey are representative of the distribution of the licensed dealers according to size.

Exhibit 13.
Number of Sales People Employed at Dealership.

<table>
<thead>
<tr>
<th>Sales Employees</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–10</td>
<td>385</td>
<td>71%</td>
</tr>
<tr>
<td>11–20</td>
<td>66</td>
<td>12%</td>
</tr>
<tr>
<td>21–50</td>
<td>56</td>
<td>10%</td>
</tr>
<tr>
<td>More than 50</td>
<td>19</td>
<td>3%</td>
</tr>
<tr>
<td>No answer</td>
<td>19</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

Over 70 percent of dealers said their dealership employs between one and 10 sales people while one-fourth of the respondents indicated that more than 10 sales people are employed at their dealerships.

When asked how many vehicles were sold at the dealership in 2005, 41 percent of dealers said that their dealership sold between five and 200 vehicles. As shown in Exhibit 14, 54 percent of dealers reported selling more than 200 vehicles, with 13 percent saying they sold more than 1,600 vehicles.

Exhibit 14.
Number of Vehicles Sold at Dealership in 2005.

<table>
<thead>
<tr>
<th>Number of Vehicles Sold at Dealership</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>5–200</td>
<td>224</td>
<td>41%</td>
</tr>
<tr>
<td>201–400</td>
<td>88</td>
<td>16%</td>
</tr>
<tr>
<td>401–800</td>
<td>71</td>
<td>13%</td>
</tr>
<tr>
<td>801–1200</td>
<td>31</td>
<td>6%</td>
</tr>
<tr>
<td>1201–1600</td>
<td>31</td>
<td>6%</td>
</tr>
<tr>
<td>More than 1600</td>
<td>70</td>
<td>13%</td>
</tr>
<tr>
<td>No answer</td>
<td>30</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

The dealers were also asked about the types of financing their dealerships offer. Respondents were free to give multiple responses and had three options to choose from including direct lending, dealership in-house financing, and manufacturer-sponsored financing. Exhibit 15 summarizes the responses.
Direct lending was the most popular financing option offered by dealers with 69 percent of dealers indicating that they offer direct lending at their dealership. These data were further broken down as Exhibit 16 to illustrate the number of dealerships that offer each different combination of financing options.

As shown, 30 percent of dealerships indicated that they provide both direct lending and manufacturer-sponsored financing options. Thirty-nine percent of dealers said they provide manufacturer-sponsored financing and three percent exclusively provide this option. Twenty-three percent of dealers said they offer direct lending as their only option, and 6 percent said they offer all three financing options.

The next series of questions in the survey referred specifically to procedures within the dealership associated with temporary tags. The survey was intended to be clear to respondents that all questions pertained to procedures that were put into place after May 1, 2006. The first of these questions asked about procedures associated with buyer’s red temporary tags. These questions were intended to reveal if and how dealerships control or limit access to temporary tags and the logs used to keep track of the tags. Exhibit 17 documents responses to the question asking if access to temporary tags is limited to one person.
Exhibit 17.
Is One Employee Responsible for Logging Buyer’s Red Tags?

<table>
<thead>
<tr>
<th>Answer</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>316</td>
<td>58%</td>
</tr>
<tr>
<td>No</td>
<td>210</td>
<td>38%</td>
</tr>
<tr>
<td>No answer</td>
<td>19</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

Fifty-eight percent of dealers said that there is one single employee charged with the task of logging red temporary tags for the dealerships. Thirty-eight percent of the dealers responding to the survey delegate the task of logging red tags to more than one employee.

The survey also asked whether buyer’s red tags are kept in a secured/locked location. As shown in Exhibit 18, 81 percent of dealers said that red tags are stored in a secured/locked location and 14 percent said no.

Exhibit 18.
Are Buyer’s Red Tags Kept In a Secured/Locked Location?

<table>
<thead>
<tr>
<th>Answer</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>442</td>
<td>81%</td>
</tr>
<tr>
<td>No</td>
<td>79</td>
<td>14%</td>
</tr>
<tr>
<td>No answer</td>
<td>24</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

Aside from asking if red tags were kept in a secured location, the survey asked dealers how tags are stored or secured at the dealership. Respondents were able to pick from three options as listed in Exhibit 19.

Exhibit 19.
How Are Buyer’s Red Tags Stored/Secured at This Dealership?

<table>
<thead>
<tr>
<th>Location to Store/Secure Red Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>One central location in dealership</td>
<td>490</td>
<td>90%</td>
</tr>
<tr>
<td>Multiple locations in dealership</td>
<td>17</td>
<td>3%</td>
</tr>
<tr>
<td>Other</td>
<td>19</td>
<td>3%</td>
</tr>
<tr>
<td>No Answer</td>
<td>19</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

Exhibit 19 shows that a majority (90 percent) of dealer respondents said that buyers’ red tags are stored/secure in one central location within the dealership. The three percent of dealers who marked “other” on the survey had the option to write in how the tags were stored. The most common written response was that buyer’s red tags are locked in the desks of each of the sales managers.
In a further attempt to learn about control of temporary tags, dealers were asked to indicate how many of their employees have access to buyer’s red temporary tags. Exhibit 20 shows the responses.

**Exhibit 20.**
**How Many Employees Have Access to Buyer’s Red Tags?**

<table>
<thead>
<tr>
<th>No. Employees with Access to Red Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>One person</td>
<td>163</td>
<td>30%</td>
</tr>
<tr>
<td>2–5 people</td>
<td>325</td>
<td>60%</td>
</tr>
<tr>
<td>More than 5 people</td>
<td>39</td>
<td>7%</td>
</tr>
<tr>
<td>No Answer</td>
<td>18</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Source: Dealer survey responses, TTI 2006*

Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

Exhibit 20 shows that 60 percent of the dealers responding to the survey said that two to five employees have access to buyer’s red tags. Thirty percent of the dealers limit access to buyer’s red tags to one employee and seven percent said that more than five people have access to the tags.

The next set of questions asked the dealers about specific procedures within their dealerships related to the issuing of temporary tags. Of particular interest is whether or not dealerships assign one employee the responsibility of issuing buyer’s red tags to all vehicles sold at the dealership or if individual sales people are responsible for issuing the tags to each car he or she sells. Exhibit 21 provides the responses.

**Exhibit 21.**
**Responsibility for Assigning Buyer’s Red Tags.**

<table>
<thead>
<tr>
<th>Responsibility for Red Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual sales person</td>
<td>226</td>
<td>41%</td>
</tr>
<tr>
<td>Other designated person</td>
<td>281</td>
<td>51%</td>
</tr>
<tr>
<td>No answer</td>
<td>38</td>
<td>7%</td>
</tr>
</tbody>
</table>

*Source: Dealer survey responses, TTI 2006*

Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

Slightly over half of dealers surveyed said that their dealerships have one designated person responsible for assigning all buyers’ red tags. Forty-one percent of the dealers said that each individual sales person is responsible for issuing buyer’s red tags to each vehicle he or she sells.

When asked how often additional temporary tags are issued after the initial sale of a vehicle, eight percent of dealers indicated that this occurs more than 10 percent of the time. In total, 107 dealers (one in five of the respondents) refrained from answering this question, as indicated in Exhibit 22.
Exhibit 22.
Occurrence of Issuing Additional Temporary Tags after Initial Sale.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1–10% of the time</td>
<td>395</td>
<td>72%</td>
</tr>
<tr>
<td>11–20% of the time</td>
<td>31</td>
<td>6%</td>
</tr>
<tr>
<td>21–50% of the time</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>More than 50% of the time</td>
<td>8</td>
<td>1%</td>
</tr>
<tr>
<td>No answer</td>
<td>107</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

After asking about dealership procedures regarding temporary tags, the dealers were asked questions about the security of buyer’s red tags versus dealer’s black tags. These questions were intended to determine what procedures are employed to prevent unauthorized use of temporary tags. Respondents were asked about red tags and black tags separately and the results were compared to examine any similarities or differences.

Exhibit 23 documents responses to the first question in this series. The dealers were asked if they had reason to be concerned about the unauthorized use of temporary tags within their own dealership within the past two years.

Exhibit 23.
Concern about Unauthorized Use of Temporary Tags in This Dealership?

<table>
<thead>
<tr>
<th>Answer</th>
<th>Concern about Red Tags?</th>
<th>Concern about Black Tags?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>4%</td>
<td>7%</td>
</tr>
<tr>
<td>No</td>
<td>94%</td>
<td>88%</td>
</tr>
<tr>
<td>No answer</td>
<td>2%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

As Exhibit 24 shows, responses between red and black tags differed slightly. Ninety-four percent of responding dealers were not concerned about unauthorized use of buyer’s red tags as compared to 88 percent not concerned about unauthorized use of dealer’s black tags within the dealership.

Each of the respondents that answered “yes” to the question about unauthorized use of temporary tags was then asked to identify the nature of the concern. Exhibit 24 summarizes the responses.
Exhibit 24.
Concerns about Unauthorized Use of Red and Black Tags within the Dealership

<table>
<thead>
<tr>
<th>Dealer Concern</th>
<th>Red Tags</th>
<th>Black Tags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missing tags</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>Stolen tags</td>
<td>9</td>
<td>15</td>
</tr>
<tr>
<td>Instances when someone offers to buy temporary tags from dealership or staff</td>
<td>11</td>
<td>2</td>
</tr>
<tr>
<td>Unauthorized use of temporary tags by dealership personnel</td>
<td>11</td>
<td>16</td>
</tr>
<tr>
<td>Theft of temporary tags at auction</td>
<td>4</td>
<td>10</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Includes only those dealers who responded yes to a question about concerns of unauthorized use of temporary tags within the dealership.

The most common concerns among dealers regarding buyer’s red tags were unauthorized use of the tags by dealership personnel and individuals offering to buy the tags from the dealership staff. When asked about concerns regarding the unauthorized use of black tags within the dealership, respondents mentioned unauthorized use of temporary tags by dealership personnel, missing tags, and stolen tags. Theft of temporary tags at auction was also a concern about dealer’s black tags.

After asking whether the dealers had concerns about temporary tags within their own dealerships, survey respondents were asked if they thought there might be unlawful activity associated with the current temporary tag system based on their knowledge of the industry. Again, the respondents were asked the same question about red tags and black tags, and the responses were compared as shown in Exhibit 25.

Exhibit 25.
Unlawful Activity Associated with Temporary Tags within the Industry.

<table>
<thead>
<tr>
<th>Dealer Answer</th>
<th>Red Tags</th>
<th>Black Tags</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>28%</td>
<td>27%</td>
</tr>
<tr>
<td>No</td>
<td>56%</td>
<td>55%</td>
</tr>
<tr>
<td>No answer</td>
<td>16%</td>
<td>17%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Percents may not add up to 100% due to rounding.

The responses regarding unlawful activity associated with temporary tags, as shown in Exhibit 25, are nearly identical for red and black tags. These results do not show a difference in the occurrence of unlawful activities associated with red tags versus black tags. However, these results do reveal that many more respondents were likely to indicate an awareness of unlawful activity in the industry as opposed to within their own dealerships. Twenty-eight and 27 percent of respondents indicated an awareness of unlawful activity in the industry associated with red and black tags, respectively, as compared to four and seven percent of dealers concerned about the unauthorized use of red and black tags within their own dealership.
Exhibit 25 shows more than 50 percent of the dealers responding to the survey do not think there is unlawful activity associated with the current temporary tag system. However, the number of dealers who did not answer the question about unlawful activity in the industry associated with the current temporary tag system increased from the number who did not answer the question regarding the unauthorized use of temporary tags within the dealership.

Twenty-nine responses were received from dealers located along the Texas-Mexico border. Of these dealers, 37 percent reported an awareness of unlawful activity in the use of buyer’s red tags in the industry as compared to 28 percent for the survey total. Forty-five percent of dealers along the border were aware of unlawful activity in the use of dealer’s black tags in the industry as compared to 27 percent for the survey total. Not only did this group report a higher awareness of unlawful activity associated with temporary tags, but also the dealers along the border reported a higher awareness of unlawful activity associated with black tags compared to red tags in the industry.

Respondents who thought there was unlawful activity associated with the current temporary tag system were given another set of questions to identify the types of unlawful activities of which they are aware. Dealers who thought there was unlawful activity in the industry associated with buyer’s red temporary tag were asked to check any unlawful activity of which they are aware from a list of seven options. TTI identified the seven options based on discussions in focus group interviews with dealers. Exhibit 26 summarizes the responses.

Exhibit 26.

Unlawful Activities of which Dealers Are Aware.

<table>
<thead>
<tr>
<th>Dealer Reported Unlawful Activities for Red Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printers printing counterfeit tags</td>
<td>21</td>
<td>4%</td>
</tr>
<tr>
<td>Persons using temporary tags to be anonymous</td>
<td>30</td>
<td>5%</td>
</tr>
<tr>
<td>Persons using temporary tags to conceal identity for the purpose of criminal activity</td>
<td>15</td>
<td>3%</td>
</tr>
<tr>
<td>Abuse of temporary tags to sell salvaged vehicles</td>
<td>22</td>
<td>4%</td>
</tr>
<tr>
<td>Abuse of temporary tags to curbstone</td>
<td>40</td>
<td>7%</td>
</tr>
<tr>
<td>Failure to process transfer of title timely in order to extend time to “float”</td>
<td>79</td>
<td>14%</td>
</tr>
<tr>
<td>Persons using temporary tag to avoid registering a vehicle</td>
<td>110</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006

Per cents are percent of 545 total responses. Multiple responses permitted.

As Exhibit 26 shows, the most common unlawful activity of which 20 percent of the dealers surveyed are aware is use of a buyer’s red tag to avoid registering a vehicle. Fourteen percent of the respondents are aware of dealers failing to process transfer of the title in a timely manner in order to extend the time to arrange financing to pay taxes and fees (“float”).

The 110 dealers who indicated an awareness of persons using temporary tags to avoid registering a vehicle were further asked to identify for what reason(s) people were doing so. As shown in Exhibit 27, 16 percent of all dealers surveyed indicated an awareness of people using buyer’s red
tags to avoid registering a vehicle in order to avoid paying sales tax and 11 percent indicated that people were using the tags to avoid registering a vehicle so they would not have to buy liability insurance.

Exhibit 27.
Dealer Identified Reasons Why People Avoid Registering a Vehicle.

<table>
<thead>
<tr>
<th>Dealer Reported Reasons Why People Avoid Registering a Vehicle</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vehicle inspection</td>
<td>37</td>
<td>7%</td>
</tr>
<tr>
<td>Emissions inspection</td>
<td>26</td>
<td>5%</td>
</tr>
<tr>
<td>Liability insurance</td>
<td>59</td>
<td>11%</td>
</tr>
<tr>
<td>Sales tax payment avoidance</td>
<td>85</td>
<td>16%</td>
</tr>
<tr>
<td>Toll payment avoidance</td>
<td>6</td>
<td>1%</td>
</tr>
<tr>
<td>Parking fine avoidance</td>
<td>6</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Multiple responses permitted.

The dealers were asked one question relating to the enforcement of temporary tags in which they were to indicate which action(s), from a list of six, they felt would be effective in reducing the abuse of temporary tags. Exhibit 28 shows the responses.

Exhibit 28.
Actions Dealers Felt Would Be Effective in Reducing Abuse of Temporary Tags.

<table>
<thead>
<tr>
<th>Dealer Suggested Actions to Reduce Abuse of Temporary Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted regulatory enforcement of dealers</td>
<td>58</td>
<td>11%</td>
</tr>
<tr>
<td>Improved pre-license regulatory inspection of dealer applicants</td>
<td>89</td>
<td>16%</td>
</tr>
<tr>
<td>Targeted law enforcement of motor vehicle operators</td>
<td>163</td>
<td>30%</td>
</tr>
<tr>
<td>Improved law enforcement of illegal tag distribution</td>
<td>126</td>
<td>23%</td>
</tr>
<tr>
<td>Improved efficiency of the method for recording and issuing temporary tags</td>
<td>110</td>
<td>20%</td>
</tr>
<tr>
<td>Improved security features on temporary tags</td>
<td>136</td>
<td>25%</td>
</tr>
</tbody>
</table>

Source: Dealer survey responses, TTI 2006
Percents are percent of 545 total responses. Multiple responses permitted.

According to Exhibit 28, 30 percent of the dealers surveyed said that targeted law enforcement of motor vehicles would be effective in reducing the abuse of temporary tags. The other three most often mentioned actions are improved security features on temporary tags (25 percent), improved law enforcement of illegal tag distribution (23 percent), and improved efficiency of the method for recording and issuing temporary tags (20 percent).
LAW ENFORCEMENT LISTENING SESSION

TTI staff organized and facilitated a listening session for stakeholders that deal with the enforcement of temporary tag issues or that might have a financial interest in the way temporary tags are issued and/or enforced. TTI held the listening session on May 11, 2006, at the City of Austin Learning and Resource Center located at Austin-Bergstrom International airport. The intent of the listening session was to provide an opportunity for stakeholders to define and discuss the issues that their agencies deal with related to temporary tags. In order to achieve the highest level of participation, TTI sent letters (see Appendix 4) and e-mails to various individuals at each of the agencies listed below:

- Texas Department of Public Safety:
  - Highway Patrol Division,
  - Criminal Law Enforcement Division, and
  - Motor Vehicle Theft Division.
- Texas Parks and Wildlife Department-Law Enforcement Division,
- Texas Rangers,
- U.S. Customs Border Security,
- Texas Department of Criminal Justice,
- Texas Department of Insurance,
- Texas State Troopers Association,
- Texas Women in Law Enforcement,
- Texas Police Chiefs Association,
- Sheriffs’ Association of Texas,
- Texas Highway Patrol Association,
- Texas State Troopers Association,
- Texas Narcotics Officers Association,
- Texas Municipal Police Associations,
- Councils of Government-Homeland Security Task Force,
- Independent Insurance Agents of Texas, and
- Texas Toll Authorities:
  - North Texas Tollway Authority,
  - Harris County Toll Road Authority, and
  - TxDOT-Texas Turnpike Division.

In addition to the listening session, an electronic mailbox was also created to receive comments about the temporary tag system. The e-mail address was given in the letter and intended for those who wanted to leave comments but were unable to attend the listening session.

The agencies that attended the listening session were the Texas Comptroller Office-Criminal Investigation Division, the Texas Department of Public Safety-Highway Patrol Division and Motor Vehicle Theft Division, and the Travis County Sheriff’s Combined Auto Theft Task Force. Before the session began, the participants were asked to complete a short survey regarding possible unlawful activities associated with temporary tags and possible solutions to solve or reduce those activities. These questions came from the enforcement portion of the dealer survey.
The listening session was productive although the turnout was low. The participants affirmed the misuse of temporary tags that had previously been reported. This includes selling of temporary tags, counterfeiting temporary tags, use of temporary tags on stolen vehicles, and avoidance and/or delay in paying sales tax and registration/title fees. Law enforcement was also concerned about the lack of identifying information on the tag itself (vehicle number and dealer name and number are not visible from a distance). This is a major concern for law enforcement on the street. Law enforcement representatives also explained the risks created and opportunities lost because the vehicle data are not available to law enforcement in a real-time, accessible database.

**LAW ENFORCEMENT SURVEY**

The usefulness of the small survey distributed at the listening session for law enforcement generated the idea for the TTI research team to reach out to law enforcement statewide with a web-based survey similar to the dealer survey. The law enforcement survey contained five priority questions about the security and enforcement of temporary tags. Each of the law enforcement agencies that were contacted previously was re-contacted to ask a representative to complete the survey. Additionally, some agencies sent broadcast e-mails to their membership lists. The correspondence emphasized the survey as brief and encouraged those who received the request to circulate it within their organizations.

TTI activated the law enforcement web survey, accessible through [www.temptagsurvey.org](http://www.temptagsurvey.org). The law enforcement survey ran from May 2005 to June 16, 2005, and TTI received 617 responses. Exhibit 29 shows the survey respondents by law enforcement organization.

**Exhibit 29.**

*Law Enforcement Organizations Represented.*

<table>
<thead>
<tr>
<th>Organization Represented</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Police</td>
<td>292</td>
<td>47%</td>
</tr>
<tr>
<td>Department of Public Safety</td>
<td>186</td>
<td>30%</td>
</tr>
<tr>
<td>Sheriff</td>
<td>44</td>
<td>7%</td>
</tr>
<tr>
<td>Motor Vehicle Theft Services</td>
<td>22</td>
<td>4%</td>
</tr>
<tr>
<td>Insurance</td>
<td>7</td>
<td>1%</td>
</tr>
<tr>
<td>Texas Rangers</td>
<td>7</td>
<td>1%</td>
</tr>
<tr>
<td>Office of Attorney General</td>
<td>4</td>
<td>0.6%</td>
</tr>
<tr>
<td>County Attorney’s Office</td>
<td>2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Comptroller’s Office</td>
<td>2</td>
<td>0.3%</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>0.3%</td>
</tr>
<tr>
<td>No answer</td>
<td>49</td>
<td>8%</td>
</tr>
</tbody>
</table>

*Source: Law enforcement survey responses, TTI 2006
Percent are percent of 617 total responses. Percents may not add up to 100% due to rounding.*

About one-half of the law enforcement respondents were local police officers. The second largest group was from the Department of Public Safety (DPS) and represented 30 percent of total respondents. The variety of organizations reflects the attempts to announce the survey throughout the law enforcement community.
Like the dealers, the law enforcement respondents were asked if they thought there may be unlawful activity associated with the current red temporary tag system. Exhibit 30 shows the responses.

Exhibit 30.
Unlawful Activity Associated with Temporary Tags within the Industry.

<table>
<thead>
<tr>
<th>Law Enforcement Answer</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>557</td>
<td>90%</td>
</tr>
<tr>
<td>No</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Maybe</td>
<td>41</td>
<td>7%</td>
</tr>
<tr>
<td>No answer</td>
<td>15</td>
<td>2%</td>
</tr>
</tbody>
</table>

Source: Law enforcement survey responses, TTI 2006
Percentages are percent of 617 total responses. Percentages may not add up to 100% due to rounding.

Ninety percent of the law enforcement respondents are aware of illegal activity associated with the current red temporary tag system. Four respondents said they did not think there was illegal activity associated with temporary tags.

The law enforcement respondents who said “yes” to the previous question were then asked to indicate the type(s) of unlawful activity of which they are aware. The same list of seven options was presented to the law enforcement respondents as was presented to the dealers. Exhibit 31 provides the responses from law enforcement.

Exhibit 31.
Unlawful Activity of which Law Enforcement Respondents Are Aware

<table>
<thead>
<tr>
<th>Law Enforcement Reported Unlawful Activities for Red Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printers printing counterfeit tags</td>
<td>332</td>
<td>54%</td>
</tr>
<tr>
<td>Persons using temporary tags to be anonymous</td>
<td>371</td>
<td>60%</td>
</tr>
<tr>
<td>Persons using temporary tags to conceal identity for the purpose of criminal activity</td>
<td>397</td>
<td>64%</td>
</tr>
<tr>
<td>Abuse of temporary tags to sell salvaged vehicles</td>
<td>270</td>
<td>44%</td>
</tr>
<tr>
<td>Abuse of temporary tags to curbstone</td>
<td>126</td>
<td>20%</td>
</tr>
<tr>
<td>Failure to process transfer of title timely in order to extend time to “float”</td>
<td>456</td>
<td>74%</td>
</tr>
<tr>
<td>Persons using temporary tag to avoid registering a vehicle</td>
<td>541</td>
<td>88%</td>
</tr>
</tbody>
</table>

Source: Law enforcement survey responses, TTI 2006
Percentages are percent of 617 total responses. Multiple responses permitted.

Eighty-eight percent of the survey respondents from law enforcement members are aware of the use of temporary tags to avoid registering a vehicle, and 74 percent are aware of dealers failing to process transfer of the title in a timely manner to extend time before payment of taxes and fees.
After identifying all illegal activities of which they are aware, the law enforcement respondents were asked to identify which abuse occurred most frequently by writing in their response. Although the intention was to have the respondents identify a single abuse, some of them identified more than one abuse. Exhibit 32 summarizes the responses.

### Exhibit 32.
**Most Frequently Occurring Abuse Identified by Law Enforcement Respondents.**

<table>
<thead>
<tr>
<th>Law Enforcement Reported Most Frequently Occurring Abuse of Temporary Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printers printing counterfeit tags</td>
<td>39</td>
<td>6%</td>
</tr>
<tr>
<td>Persons using temporary tags to be anonymous</td>
<td>16</td>
<td>3%</td>
</tr>
<tr>
<td>Persons using temporary tags to conceal identity for purpose of criminal activity</td>
<td>56</td>
<td>9%</td>
</tr>
<tr>
<td>Abuse of temporary tags to sell salvaged vehicles</td>
<td>9</td>
<td>1%</td>
</tr>
<tr>
<td>Failure to process transfer of title timely in order to extend time to “float”</td>
<td>119</td>
<td>19%</td>
</tr>
<tr>
<td>Persons using temporary tag to avoid registering a vehicle</td>
<td>306</td>
<td>50%</td>
</tr>
<tr>
<td>Avoid Paying Sales Tax</td>
<td>6</td>
<td>1%</td>
</tr>
<tr>
<td>Avoid Getting Insurance</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Law enforcement survey responses, TTI 2006

Percents are percent of 617 total responses. Multiple responses permitted.

As Exhibit 32 shows, 50 percent of the law enforcement respondents feel that the most common abuse of temporary tags is use of the tag to avoid registering a vehicle. Nineteen percent of respondents indicated the most common occurring offense is dealers who fail to transfer the title in a timely manner in order to extend time to “float.”

The law enforcement respondents were also asked what action(s) would be effective in reducing the abuse of temporary tags. Respondents were asked to choose from a selection of five actions taken from the dealer survey, as listed in Exhibit 33.

### Exhibit 33.
**Actions That Would Be Effective in Reducing Abuse of Temporary Tags.**

<table>
<thead>
<tr>
<th>Law Enforcement Suggested Actions to Reduce Abuse of Temporary Tags</th>
<th>No. Responses</th>
<th>Percent of Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted regulatory enforcement of dealers</td>
<td>322</td>
<td>52%</td>
</tr>
<tr>
<td>Improved pre-license regulatory inspection of dealer applicants</td>
<td>179</td>
<td>29%</td>
</tr>
<tr>
<td>Targeted law enforcement of motor vehicle operators</td>
<td>212</td>
<td>34%</td>
</tr>
<tr>
<td>Improved security features on temporary tags</td>
<td>454</td>
<td>74%</td>
</tr>
<tr>
<td>Improved efficiency of the method for recording and issuing temporary tags</td>
<td>462</td>
<td>75%</td>
</tr>
</tbody>
</table>

Source: Dealer and law enforcement survey responses, TTI 2006

Percents are percent of 617 total responses. Multiple responses permitted.
About three-fourths of the law enforcement respondents indicated that improved efficiency of the method for recording and issuing temporary tags and improved security features would help curb the abuse of temporary tags. The targeted regulatory enforcement of dealers received 110 more responses than targeted law enforcement of motor vehicle operators.

The responses from the dealer survey and the law enforcement survey were compared side-by-side so that any similarities and/or differences could easily be seen. The results from the dealer and law enforcement surveys when each was asked if there may be unlawful activity associated with the current red temporary tag system is shown below in Exhibit 34.

Exhibit 34.
Unlawful Activity Associated with Temporary Tags within the Industry
(Percent of Total Responses for Dealers and Law Enforcement).

<table>
<thead>
<tr>
<th>Answer</th>
<th>Law N=617</th>
<th>Dealers N=545</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>90%</td>
<td>28%</td>
</tr>
<tr>
<td>No</td>
<td>&lt;1%</td>
<td>56%</td>
</tr>
<tr>
<td>Maybe</td>
<td>7%</td>
<td>n/a</td>
</tr>
<tr>
<td>No Answer</td>
<td>2%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Source: Dealer and law enforcement survey responses, TTI 2006
N = Number of responses. Percents are percent of 617 responses from law enforcement and 545 total responses from dealers.
n/a = Not applicable. Dealers were not given the “maybe” option.

Exhibit 34 brings out the difference between the responses of law enforcement members and responses from dealers. Ninety percent of law enforcement respondents believe there is illegal activity associated with the current temporary tag system versus 28 percent of dealers. Fifty-six percent of the dealers surveyed believe there is no unlawful activity associated with the current system, whereas less than one percent of 617 law enforcement respondents believed there is no unlawful activity.

Because so many law enforcement respondents answered “yes” when asked if they thought there was unlawful activity associated with the current temporary tag system, these 90 percent were taken to the next question, which asked them to identify the illegal activities of which they are aware. Because only 28 percent of the dealers surveyed believe there is illegal activity associated with temporary tags, a far fewer amount went on to identify any illegal activities of which they are aware as seen in Exhibit 35.
### Exhibit 35.
Dealer and Law Enforcement Respondent Awareness of Unlawful Activity.

<table>
<thead>
<tr>
<th>Reported Unlawful Activities for Red Tags</th>
<th>Law N=617</th>
<th>Dealers N=545</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printers printing counterfeit tags</td>
<td>54%</td>
<td>4%</td>
</tr>
<tr>
<td>Persons using temporary tags to be anonymous</td>
<td>60%</td>
<td>5%</td>
</tr>
<tr>
<td>Persons using temporary tags to conceal identity for the purpose of criminal activity</td>
<td>64%</td>
<td>3%</td>
</tr>
<tr>
<td>Abuse of temporary tags to sell salvaged vehicles</td>
<td>44%</td>
<td>4%</td>
</tr>
<tr>
<td>Abuse of temporary tags to curbstone</td>
<td>20%</td>
<td>7%</td>
</tr>
<tr>
<td>Failure to process transfer of title timely in order to extend time to “float”</td>
<td>74%</td>
<td>14%</td>
</tr>
<tr>
<td>Persons using temporary tag to avoid registering a vehicle</td>
<td>88%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: Dealer and law enforcement survey responses, TTI 2006

Even though the differences in corresponding percents for the dealers and law enforcement are significant, there is one similarity between the two sets of responses. Use of temporary tags to avoid registering a vehicle was the activity of which dealers and law enforcement respondents are most aware, followed by failure of the dealer to process the transfer of title in a timely manner in order to extend the time to arrange for financing.

The differences between the dealer and law enforcement responses are more pronounced when comparing the action(s) each group believes will be effective in reducing the abuse of temporary tags as seen in Exhibit 36.

### Exhibit 36.
Actions That Would Be Effective in Reducing Abuse of Temporary Tags
Dealer and Law Enforcement Surveys Comparison Responses.

<table>
<thead>
<tr>
<th>Actions that Would Reduce Abuse of Temporary Tags</th>
<th>Law N=617</th>
<th>Dealers N=545</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted regulatory enforcement of dealers</td>
<td>52%</td>
<td>11%</td>
</tr>
<tr>
<td>Improved pre-license regulatory inspection of dealer applicants</td>
<td>29%</td>
<td>16%</td>
</tr>
<tr>
<td>Targeted law enforcement of motor vehicle operators</td>
<td>34%</td>
<td>30%</td>
</tr>
<tr>
<td>Improved security features on temporary tags</td>
<td>74%</td>
<td>25%</td>
</tr>
<tr>
<td>Improved efficiency of the method for recording and issuing temporary tags</td>
<td>75%</td>
<td>20%</td>
</tr>
<tr>
<td>Improved law enforcement of illegal tag distribution</td>
<td>n/a</td>
<td>23%</td>
</tr>
</tbody>
</table>

Source: Dealer and law enforcement survey responses, TTI 2006

N = Number of responses. Percents are percent of 617 responses from law enforcement and 545 total responses from dealers.
As is evident from Exhibit 36, more law enforcement respondents identified actions that would be effective in reducing the abuse of temporary tags. Three-fourths of the law enforcement respondents suggested improving the security features and the efficiency of the method for recording and issuing temporary tags. The action receiving the most support from the dealers surveyed is the targeted law enforcement of motor vehicle operators. The action receiving the least amount of support from the dealers was the targeted regulatory enforcement of dealers.

**REVIEW OF RECORDS OF TEMPORARY TAG VIOLATIONS FILED WITH MVD**

Another part of stakeholder outreach included reviewing reports of temporary tag violations made to MVD from consumers and law enforcement agents. The TTI research team examined complaints filed in the following categories:

- brokering,
- curbstoning by a licensed dealer,
- curbstoning by an unlicensed dealer,
- failure to apply for title,
- no title when sold,
- misuse of plates,
- misuse of temporary tags,
- title transfers by consumers,
- tax violation,
- selling vehicle not licensed for, and
- vehicle inventory tax violation.

A review of these records indicated a range of complaints is made to MVD. Some dealers are repeat offenders while others had legitimate reasons for their misuse. Most of the dealerships involved in the complaints were independent dealerships.

There were 5,580 reported violations received by the TxDOT-MVD from September 1, 2003, through August 31, 2005. On average, this represents about 233 reported violations per month and about 12 reported violations per day are reported in writing to MVD. Exhibit 37 displays the number of violations by area of the state.
Exhibit 37.
Violations Reported to TxDOT-MVD by Region.

<table>
<thead>
<tr>
<th>Region of Texas</th>
<th>No. of Complaints</th>
<th>Percent of Complaints N=5,580</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dallas/Fort Worth Area</td>
<td>2,147</td>
<td>39%</td>
</tr>
<tr>
<td>Northeast/East Texas</td>
<td>352</td>
<td>6%</td>
</tr>
<tr>
<td>Central Texas (not Austin-San Antonio)</td>
<td>245</td>
<td>4%</td>
</tr>
<tr>
<td>Houston/Galveston Area</td>
<td>1,515</td>
<td>27%</td>
</tr>
<tr>
<td>Corpus Christi and South Central Texas</td>
<td>119</td>
<td>2%</td>
</tr>
<tr>
<td>Border Areas</td>
<td>145</td>
<td>3%</td>
</tr>
<tr>
<td>Austin-San Antonio Area</td>
<td>581</td>
<td>10%</td>
</tr>
<tr>
<td>West Texas/Panhandle</td>
<td>253</td>
<td>5%</td>
</tr>
<tr>
<td>El Paso</td>
<td>72</td>
<td>1%</td>
</tr>
<tr>
<td>Outside of Texas</td>
<td>151</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Texas Department of Transportation, Motor Vehicle Division
N= Number of complaints on record.
Percents are percent of 5,580 complaints. Percents may not add up to 100% due to rounding.

In fiscal year 2005, TxDOT issued approximately 5.8 million motor vehicle titles and about 80 percent of those, or 4.7 million, were filed by licensed motor vehicle dealers. The number of violations reported to MVD for the categories selected for review by the TTI research team represented less than one percent of the number titles filed by motor vehicle dealers. The number of violations reported to MVD does not represent all violations that may occur. In fact, those violations that are reported to MVD may be those that are most flagrant. For example, MVD analyzed the violations reported to MVD to calculate how long it was taking the dealers to apply for the transfer of title after sale of a vehicle. Of the sample of violations reported, the average time to apply for title as reported in the complaint was 13 months.

County tax assessor-collectors are also first line recipients of complaints or reported violations. As the TTI research team learned in the interview with El Paso County (see discussion above), customers report violations and complaints to the local government entity; however, the county tax assessor-collector or local law enforcement does not keep records of violations reported.

The most common violation of temporary tags is probably when a dealer issues a second buyer’s red tag. A temporary tag is valid 21 calendar days, but the dealer has 20 workdays to file for registration and transfer of title (about 30 calendar days). The difference in the two timelines may encourage dealers to either date the original buyer’s red tag based on workdays or to explain to the buyer that a second buyer’s red tag is necessary and consistent with the dealer’s obligations. Generally, a customer may not be inclined to complain or report a violation about an additional red tag. These violations are not possible to verify or tally.
The following Exhibit 38 shows the distribution by zip code of the source of the complaints about violations reported to MVD.

**Exhibit 38.**
Violations Reported to TxDOT-MVD by Zip Code.

Source: TTI based on review of MVD records.
As the graphic shows, the zip codes with the largest number of complaints are mostly clustered around the major urban areas of the state. In order to see the distribution of complaints in urban areas better, Exhibit 39 provides a close-up view.

Exhibit 39.
Urban Area Violations Reported by Zip Code.

Source: TTI based on review of MVD records.
The complaints fit into four umbrella categories including unlicensed sales, title violations, plate and tag violations, and tax violations. Exhibit 40 provides a breakdown of the reported violations by type.

**Exhibit 40.**
Violations Reported to TxDOT-MVD by Type.

<table>
<thead>
<tr>
<th>Violations by Category</th>
<th>Violations by Subcategory</th>
<th>Complaint Files</th>
<th>Percent of Complaints N=5,580</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlicensed Sales</td>
<td>Brokering</td>
<td>25</td>
<td>&lt;1%</td>
</tr>
<tr>
<td></td>
<td>Curbstoning by a licensed dealer</td>
<td>353</td>
<td>6%</td>
</tr>
<tr>
<td></td>
<td>Curbstoning by an unlicensed dealer</td>
<td>223</td>
<td>4%</td>
</tr>
<tr>
<td></td>
<td>Selling vehicle not licensed for</td>
<td>695</td>
<td>12%</td>
</tr>
<tr>
<td>Title</td>
<td>Failure to apply for title</td>
<td>2,079</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>No title when sold</td>
<td>94</td>
<td>2%</td>
</tr>
<tr>
<td></td>
<td>Title transfers by consumers</td>
<td>541</td>
<td>10%</td>
</tr>
<tr>
<td>Plate &amp; Tag</td>
<td>Misuse of plates</td>
<td>304</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>Misuse of temp tags</td>
<td>944</td>
<td>17%</td>
</tr>
<tr>
<td>Tax</td>
<td>Tax violation</td>
<td>142</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>Vehicle inventory tax violation</td>
<td>180</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Source: Texas Department of Transportation, Motor Vehicle Division*

*N= Number of complaints on record.

*Percents are percent of 5,580 complaints. Percents may not add up to 100% due to rounding.*

As Exhibit 40 shows, 37 percent of the complaints received were about dealers failing to apply for the title. The second most reported violation was the misuse of temporary tags.
C. TEMPORARY TAG SYSTEMS USED IN OTHER STATES

The purpose of this section is to identify the different systems used by various states to issue temporary tags for motor vehicles. The TTI research team collected and updated information from previous research conducted by the TxDOT-MVD. This research effort examined the use of electronic temporary tags. The following summarizes and compares the current system in Texas to systems used by other states.

STATES INCLUDED IN PEER REVIEW

The following nine states do not use temporary vehicle tags: Alabama, Arkansas, California, Delaware, Idaho, Iowa, Massachusetts, North Carolina, and North Dakota. These states allow drivers to carry proof of purchase or a title with them until the vehicle has been properly registered. In California, dealers print the proof of purchase on paper, and the paper is placed on the rear window of the vehicle. Iowa allows drivers to store proof of purchase or title in the interior of the vehicle until the metal plates are attached to the vehicle.

The remaining 41 states use some form of temporary vehicle tags. The TTI research team attempted to contact a representative of each state to update information gathered in previous studies. The TTI research team was successful in gathering information from 30 of the 41 states.

Four Generations of Temporary Tag Design

There are four “generations” of temporary tag design and distribution. The distinguishing feature of the first generation is that dealers are responsible for printing their own temporary tags. The temporary tags may be printed in-house or by a vendor. The vendor is not required to have any special permit from the state. The state may define format of the tag or may leave that up to the dealer. Tags have no security features such as holograms or special ink.

The second generation system requires dealers to purchase tags from a state or local government agency (or agent delegated that responsibility by the state) that tracks the production and distribution of the tags. The temporary tags may, but are not required to, have security features. The difference between the first and second generation temporary tags is who prints and controls distribution of the tags.

The third generation temporary tag requires dealers to purchase the tags from a state or local government agency and uses some form of security feature or features. Examples of security features are a hologram strip or special ink. The third generation tags must be purchased from the state or local government or approved vendor with security clearance.
The fourth generation of temporary tags is an electronic system provided by the state for authorized use by the dealers. This allows dealers to print temporary tags at the dealership by logging on to an electronic system. The dealer enters all the necessary vehicle and customer information into the electronic system. Then a temporary tag is printed with the expiration date, description of the vehicle, dealership, and a unique, temporary registration number. A portion of the printed temporary registration is removed from the bottom of the temporary tag and stored in the vehicle. This registration slip contains the vehicle purchaser information, date purchased, vehicle make and model, and dealership information. The temporary tag portion of the printout is placed in a plastic sleeve and installed in the rear license plate holder.

**Metal Tags**

TTI identified four states where temporary tags are issued only in limited situations: Connecticut, Maryland, New York, and Pennsylvania. In these states, the dealers are authorized to issue metal plates directly to the buyer. The requirement for a temporary tag is limited to two situations in these four states. First, a dealer will issue a temporary tag to a buyer from another state. The buyer is issued a temporary tag for transport until the vehicle can be registered in the home state. Second, a small percent of dealers in each of the states is not authorized to issue metal plates; usually these are smaller dealers without the requisite bonding capacity to have authority to issue metal plates. These dealers issue temporary tags pending the application for a permanent metal plate to be issued by the state. Of the four states that permit dealers to issue metal tags directly to the buyer, three use an electronic system to register vehicle sales with the state (New York, Connecticut and Pennsylvania).

Exhibit 41 lists the 30 states contacted by TTI for this research and provides general information regarding the temporary tag system in each state.
### Exhibit 41.
States Contacted Regarding Temporary Tags.

<table>
<thead>
<tr>
<th>State</th>
<th>Population</th>
<th>Tags Valid</th>
<th>Plates follow Owner</th>
<th>Temporary Tag Type</th>
<th>Generation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Texas</td>
<td>20,851,820</td>
<td>21 days</td>
<td>Cardboard</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Oklahoma</td>
<td>3,450,654</td>
<td>30 days</td>
<td>Cardboard</td>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Louisiana</td>
<td>4,468,976</td>
<td>90 days</td>
<td>Cardboard</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Maine</td>
<td>1,274,923</td>
<td>14 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Mississippi</td>
<td>2,844,658</td>
<td>7 days</td>
<td>Paper</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>New Hampshire</td>
<td>1,235,786</td>
<td>20 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>South Dakota</td>
<td>754,844</td>
<td>30 days</td>
<td>Paper</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Vermont</td>
<td>608,827</td>
<td>60 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Colorado</td>
<td>4,301,261</td>
<td>60 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Georgia</td>
<td>8,186,453</td>
<td>30 days</td>
<td>Heavy Paper</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Illinois</td>
<td>12,419,293</td>
<td>90 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Kansas</td>
<td>2,688,418</td>
<td>30 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Kentucky</td>
<td>4,041,769</td>
<td>30 days</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Minnesota</td>
<td>4,919,479</td>
<td>21 days</td>
<td>Paper</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td></td>
</tr>
<tr>
<td>Missouri</td>
<td>5,595,211</td>
<td>30 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>New Mexico</td>
<td>1,819,046</td>
<td>30 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Ohio</td>
<td>11,353,140</td>
<td>30 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>South Carolina</td>
<td>4,012,012</td>
<td>45 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Tennessee</td>
<td>5,689,283</td>
<td>30 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>West Virginia</td>
<td>1,808,344</td>
<td>30/60 days</td>
<td>Yes</td>
<td>Cardboard</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Wyoming</td>
<td>493,782</td>
<td>45 days</td>
<td>Yes</td>
<td>Paper</td>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
</tr>
<tr>
<td>Arizona</td>
<td>5,130,632</td>
<td>45 days</td>
<td>Yes</td>
<td>Electronic</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Montana</td>
<td>902,195</td>
<td>40 days</td>
<td>Yes</td>
<td>Electronic</td>
<td>4&lt;sup&gt;th&lt;/sup&gt;</td>
</tr>
<tr>
<td>Florida</td>
<td>15,982,378</td>
<td>30 days</td>
<td>Yes</td>
<td>Electronic</td>
<td>4&lt;sup&gt;th Pilot&lt;/sup&gt;</td>
</tr>
<tr>
<td>Virginia</td>
<td>7,078,515</td>
<td>30 days</td>
<td>Yes</td>
<td>Electronic</td>
<td>4&lt;sup&gt;th in 2007&lt;/sup&gt;</td>
</tr>
<tr>
<td>Wisconsin</td>
<td>5,363,675</td>
<td>90 days</td>
<td>Yes</td>
<td>Electronic</td>
<td>4&lt;sup&gt;th in 2007&lt;/sup&gt;</td>
</tr>
<tr>
<td>Connecticut</td>
<td>3,405,565</td>
<td>60 days</td>
<td>Yes</td>
<td>Metal*</td>
<td></td>
</tr>
<tr>
<td>Maryland</td>
<td>5,296,486</td>
<td>60 days</td>
<td>Yes</td>
<td>Metal*</td>
<td></td>
</tr>
<tr>
<td>New York</td>
<td>18,976,457</td>
<td>45 days</td>
<td>Yes</td>
<td>Metal*</td>
<td></td>
</tr>
<tr>
<td>Pennsylvania</td>
<td>12,281,054</td>
<td>90 days</td>
<td>Yes</td>
<td>Metal*</td>
<td></td>
</tr>
</tbody>
</table>

Source: Data collected from each state by telephone interview or on-line research by TTI, 2006.

* States that are designated as “metal” for temporary tag type authorize the dealers to issue metal tags directly to the buyer. Temporary tags are required only for out-of-state buyers and in the case of a small dealer without the authority to issue metal tags.
In summary, the requirements for temporary tags in Texas differ from the other states in the research sample in the following ways:

- Unlike Texas, a majority of the states require metal plates to follow the owner rather than follow the vehicle (22 of 30 states in the sample).
- Four states in the sample authorize dealers to issue metal plates directly to the buyer.
- Texas is one of eight states that do not have any security features on the temporary tag itself.
- Another way most other states differ from Texas is the time duration a temporary tag is valid. Texas temporary tags are valid for 21 calendar days, while in 83 percent of the 30 states, the temporary tags are valid longer than 30 days.
- Several states are testing or planning to implement electronic vehicle registration. Arizona and Montana were the first states to implement electronic vehicle registration. Arizona started its program in 2002. Montana followed in 2005. States to join the movement recently are Florida, Virginia, and Wisconsin. Virginia and Wisconsin will have their electronic systems fully developed in 2007. Florida is in a pilot phase, still exploring different options regarding how an electronic system will function.

**ELECTRONIC TEMPORARY TAGS**

An electronic temporary tag is a relatively new concept. Two states currently use this generation of temporary tag, while at least three other states are converting to this method. The electronic temporary tag system allows a dealer to log into a state sponsored electronic system accessible from the Internet to temporarily register a vehicle. The dealer enters the vehicle and customer information into the system and prints out a temporary tag at the dealership. This process temporarily registers the vehicle in the state database before the customer leaves the dealership. The temporary tag will have the expiration date, description of the vehicle, dealership information, customer name, and temporary registration number. The dealer no longer has to hand-write information on the tag.

**Arizona**

Arizona was the first state to pass an all electronic temporary tag law in 2002. Third-party vendors maintain and operate the state’s electronic system. Once the dealer enters the vehicle identification number (VIN) into the electronic system, all the needed information about the vehicle is populated into the proper fields. The dealer prints the 45-day tag with the vehicle data, sales date, and purchaser information. The dealer uses a standard printer. Once the necessary data are entered, all the information is logged into the state data system. The temporary tag has a unique identifying number linked into the system. The tag is placed in a plastic sleeve in the rear license plate location on the vehicle.

**Montana**

Montana previously used paper window decals with no way of tracking the vehicle or owner. The Motor Vehicle Division of the Department of Justice decided to follow Arizona’s electronic temporary vehicle permit system; however, the information systems are operated in-house rather than by a third-party vendor. The dealer logs onto the temporary registration permit page on Montana’s website and enters all the information with the VIN. The temporary tag has a total of
eight numbers and letters to identify the vehicle. The dealer prints the temporary tag with any type of printer. Dealers purchase plastic pouches for the temporary permits from the Montana Automobile Dealers Association. The temporary tags are placed on the outside of the car in the metal plate location. Every dealer had to take a class or exercise on-line before the dealer could transfer to the electronic system. It took eight or nine months to transition all the dealers to use the electronic system. As more and more dealers are using the new system dealers are more enthusiastic about the process. This electronic system can give dealers statistical information on a daily basis. The state extended the permit period from 20 days to 40 days. This is something the dealers wanted in the system change. These permits also have a security feature at the top. There are a series of boxes that are filled in with a code.

Wisconsin

A small number of dealers signed up for Wisconsin’s volunteer electronic registration system as of September 15, 2005. Now there are over 600 dealers across the state using this system. By July 2007, all dealers are required to use the electronic system. License plates follow the owner in Wisconsin, so the temporary tag is printed only when the buyer does not have a metal plate to transfer. The salesperson logs on to the system using the user identification and password. There are different levels of roles that can be assigned to a salesperson or dealership employee. These roles include:

- process—can complete total transaction and perform inquiry;
- no issue allowed—can enter information and perform inquiry but is not allowed to complete transaction;
- inquiry only—can only make inquiries; and
- maintain electronic funds transfer (EFT)—can maintain the dealer’s EFT.

These roles can be altered at any time. The individual at the dealership with the correct role logs on to the electronic system and enters the customer’s information. If the customer is already in the department of motor vehicle (DMV) database, their information is preloaded onto the form. The vehicle information is also populated once the VIN is entered into the system. Customers receive registration and title services at the dealership. Temporary tags are linked to the VIN and the new owner as soon as the dealer processes an application. The customer receives a temporary tag at the time of sale. The vehicle registration is also linked to vehicle titling. The customer will receive the vehicle title within seven to 10 days of purchase and the metal plate will follow within two weeks. The temporary tag, however, is valid for 90 days. The dealer is allowed to charge the customer the title and registration fee. There is also an electronic funds transfer. All title transactions or Manufacturer Certificates of Origin and receipts for the day are mailed into DMV every day. This electronic process gives dealers access to the DMV database. They can check information regarding liens and title records or trade-in vehicles. Dealers can create an electronic temporary tag log. Wisconsin is in the process of allowing exceptions to the law. They are examining hardships created for smaller dealers (i.e., less than 48 vehicles) that do not sell enough vehicles to require a computer. The dealer would then be charged a processing fee.
Virginia

Virginia is anticipating instituting three different electronic processes for motor vehicle sales in 2007. The first system is one that allows dealers to print temporary vehicle registration on-demand by logging on to the State of Virginia self-registration site. Third-party vendors control the electronic processing. This electronic system will permit dealers to register vehicles electronically with the department of motor vehicles. The second process will provide casual sales an electronic registration similar to the dealership-to-customer process. The DMV is in the process of having the National Highway Traffic Safety Administration (NHTSA) approve an electronic application for casual sales. NHTSA needs to approve an electronic personal identification number (PIN) as a legal signature for odometer readings. This will allow person-to-person vehicle sales to occur electronically. The final system the DMV is establishing is an electronic dealer assignment and reassignment of vehicle titles. In 2008, the DMV plans to replace the third-party vendor by bringing the process in-house. They will move to an Internet application without a third-party vendor, similar to Wisconsin’s system.

In instances where problems occur with the system, dealers have a 30-day grace period from the date of sale to the time the sale is recorded in the DMV. This will enable the dealer to enter the sales information later. DMV branch offices and select offices throughout the state will also be able to register a vehicle. If the dealer did not want to drive to a DMV office, they could mail the registration paperwork into DMV headquarters. The electronic vehicle registration would work jointly with titling the vehicle. Dealers have had electronic titling capabilities since 1992.

Florida

Florida is currently conducting a six- to eight-month pilot project testing the electronic temporary tag system. The third-party vendor is working with 13 dealers. The other states with electronic tag systems were not examined when designing their pilot program. The dealers do not have to pay for any special equipment if they have a computer and printer. They are testing different methods of printing the temporary tags. This will allow for real-time registration, which their current system lacks. The tags will have an expiration date 30 days after the date the vehicle is purchased. At this time, they do not have the system linked to title registration.

Although there are a variety of different temporary vehicle registration systems and techniques, there is a trend toward an electronic system. In 2007, both Wisconsin and Virginia will have a full electronic registration system in place. The issuance of metal plates at dealerships is also increasing. Maryland is in the process of switching to metal plates at the dealership. This can seem attractive to many states because it reduces the number of temporary tags. Currently, those states giving metal plates out at dealerships all have the metal plates follow the owner instead of the vehicle. Metal plates follow the owner in 38 of 50 states. In these states, a temporary tag is necessary only if the owner does not have another vehicle as the source of the metal plates for transfer.
COST OF ELECTRONIC TEMPORARY TAGS

The TTI research team sought to identify the cost of implementation and ongoing operation of an electronic temporary tag system. Each of the five states that either currently operates an electronic tag system or plans to implement electronic tags was contacted for information. With the exception of Arizona, the states either declined to provide any cost information or reported that implementation was so recent that data were not available. The Arizona Department of Transportation (DOT) and third-party vendor for electronic services were willing to provide cost detail as reported in the following section.

Historical Background for Arizona DOT Electronic Services

In the 1980s, there was a lot of general discussion of private business helping with government functions in Arizona. In the early 1990s, the Arizona population was growing very rapidly. Arizona DOT was suffering many complaints about wait times for various customer service functions. In 1993, the Arizona DOT went to the state legislature to pass the Third-Party Law. A third party could make a proposal to assist in providing a DOT service. No procurement was required. A selection panel looked over proposals and decided if an offer was good for the state.

Third-party services were implemented in 1994. At first services required brick and mortar, i.e., offices. Twelve different companies provided some service. By 1996, the program was growing and there was an interest in providing electronic services.

Arizona DOT decided to turn to a third party to reach out by Internet, interactive voice response, and kiosks. However, any third party that intended to provide electronic services had to make a big investment for start-up and had to have the expertise. The third party had to pay all of the implementation costs and could charge customers a convenience fee in return. Arizona approached several companies and one vendor accepted the challenge to create ServiceArizona, the Arizona DOT on-line service. ServiceArizona was rolled out in 1997.

In the beginning, ServiceArizona provided only one Internet and IVR service for vehicle registration renewal. The third-party vendor charged a fee of $6.95 per transaction. The $6.95 was a charge to cover the cost of a credit card transaction and the cost for operation of the service. Citizens complained about the fee.

In 1998, Arizona Legislature approved a bill to allow a third party to retain a portion of the State fee for the on-line service. The State also agreed to cover the cost of credit card transactions in lieu of the $6.95 fee per transaction. Customer demand tripled as soon as the $6.95 fee was dropped. Arizona DOT added additional on-line services like duplicate driver license, address change, and personalized and special license plates to the services provided on ServiceArizona. The state wanted to attract people to the website for popular services in hopes they would become familiar with and buy other products while on-line.
In 2002, Arizona changed the vehicle license system from metal plate follow owner to metal plate follows the vehicle. At about this time, the temporary registration plate (TRP) was causing many problems. The cardboard temporary tag had a hologram. Printers had to have permission to print the form. Dealers had to order TRPs, maintain inventory, monitor and track use, store in safe place. The dealer was also subject to an annual audit of the TRP system at the place of business.

Arizona DOT and the third-party vendor for ServiceArizona decided to promote an electronic TRP service. As a first step, Arizona DOT and the vendor wanted to get buy-in from vehicle dealer associations. The vendor sponsored seminars throughout the state to talk to dealers. Arizona DOT told the review team that at first, it was hard to sell the plan for electronic TRP, but eventually the electronic TRP received the support of the Arizona Automobile Dealers Association (AADA). AADA is also a third-party vendor for the TRP service, along with the vendor for ServiceArizona and other companies.

The new TRP law passed in 2002. The law requires dealers and title service companies to issue TRP electronically through ServiceArizona or another third party that has an electronic system. The legislation also authorized a fee of $1.00 for the TRP. The third-party vendor retains the $1.00 fee, similar to the retention fee allowed by statute for other on-line transactions. The electronic TRP went into effect July 1, 2003. Acceptance and feedback by dealers has been very good, according to the Arizona DOT. Interviews with AADA support this assessment.

Elements of Cost for the Electronic Temporary Tag System in Arizona

The following discussion of cost for an electronic temporary tag system addresses the expenses for the dealer, the customer, the third-party vendor responsible for electronic services in Arizona, and Arizona DOT. Both the implementation costs and expenses for ongoing operations and maintenance are discussed.

Dealer

The Arizona DOT estimates the costs to dealers of the former paper TRP system are as follows:

- $0.41/permit at 700,000 permits/year = $287,000+ annually for all dealers;
- mail;
- handling;
- time;
- inventory;
- $8.00 permit cancellation fee; and
- required submission to audits at their place of business.

The costs to the dealer for an electronic TRP system are:

- computer for access to Internet;
- printer and paper for printing temp tag [some dealers have two printers for back-up]; and
- access to the Internet.
Most dealers already had a computer, printer, and Internet access when the electronic TRP system was implemented. The third-party vendors provide the plastic sleeve to cover the paper tag before placing on the vehicle at no cost to the dealers. The electronic system produces regular data reports for the dealer and for the Arizona DOT, thereby resolving the requirement for an annual audit for every dealer.

The dealer is charged a $1.00 administrative fee per transaction for the electronic TRP. That expense can be passed on directly to the customer.

ServiceArizona also provides value added services for dealers to make the requirement to have an electronic system more attractive than inconvenient. Services available specifically for dealers on ServiceArizona as of April 2006 are:

- EZ Temporary Registration Plates,
- EZ 30-Day General Use Permit,
- EZ 90-Day Non-Resident Permit,
- EZ License Renewal,
- EZ MVR,
- EZ Lien holder Motor Vehicle Report,
- EZ Fee Calculator,
- National Insurance Crime Bureau, and
- the convenience of numerous on-line reports.

Customer

The customer did not pay a fee for the paper temporary tag before the availability of the electronic TRP service. The dealer has the option to pass along the $1.00 fee to the customer.

There were no data available to show how many dealers pass the $1.00 fee on to the customer, but the general assumption of the Arizona DOT is that most dealers pass along the cost as part of the fees in the vehicle sale.

Third-Party Vendor

The third-party vendor made an investment to set up the electronic temporary tag system. The cost of the TRP on-line service is hard to isolate from the larger investments to set up ServiceArizona. However, in interviews with the TTI research team, the third-party vendor estimated the costs to establish certain on-line security features unique to the TRP system were about $2.5 million. An additional $300,000 to $500,000 was invested to interface with the Arizona DOT data systems that preceded ServiceArizona. A reasonable estimate of start-up cost for the on-line TRP service was $2.5 million for development cost and $500,000 for an interface to the Arizona DOT system. Ongoing costs for maintenance and operation of the software systems for on-line TRP are estimated at about $75,000 annually. Other third-party vendors also offer an electronic temporary tag service. The estimated cost for additional vendors is not available, but any third-party vendor would also incur an implementation cost to set up the interface with either ServiceArizona or with Arizona DOT software. Any third-party vendor would also have an ongoing cost for maintenance and operation of the software system.
The third-party vendor for the on-line TRP service recovers its cost from the $1.00 transaction fee. A representative of the vendor that also provides ServiceArizona told the review team the investment to start-up the service was recovered in less than three years. Revenues over and above operating costs now are profit to the third-party vendor.

*Arizona DOT*

Arizona DOT incurred a cost to set up the electronic temporary tag system and incurs ongoing system maintenance expense. A representative of Arizona DOT told the TTI research team the costs to the DOT for system startup were approximately $75,000 and the annual maintenance expense runs about $8,000–$10,000.

The Arizona DOT representative said the department avoids costs for personnel and materials by emphasizing ServiceArizona. New revenues are earned because the state now sells more services on-line and those services generate additional revenues. The DOT believes the more services that can be offered on-line, even services that do not generate many revenues individually, will result in greater total revenues. For example, an increase in personalized license plates that are sold conveniently on-line will generate more revenue than the standard license plate.

Exhibit 42 is a summary of the revenues to the Arizona DOT for all Internet and IVR transactions. The second row of data references the TRP transactions.

### Exhibit 42.
Revenues to the Arizona DOT for Internet and IVR Transactions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revenue</td>
<td>% Change</td>
<td></td>
</tr>
<tr>
<td>Total Internet and IVR transactions</td>
<td>353,771</td>
<td>418,225</td>
<td>64,454</td>
</tr>
<tr>
<td>Temporary Registration Plate</td>
<td>64,816</td>
<td>71,872</td>
<td>7,056</td>
</tr>
<tr>
<td>Transactions</td>
<td>18.3%</td>
<td>17.2%</td>
<td></td>
</tr>
<tr>
<td>Total Internet and IVR Revenues</td>
<td>$18,008,801</td>
<td>$21,831,436</td>
<td>$3,822,635</td>
</tr>
<tr>
<td>Collected</td>
<td>$673,890</td>
<td>$814,279</td>
<td>$140,389</td>
</tr>
<tr>
<td>Internet and IVR Revenues Retained</td>
<td>$17,334,912</td>
<td>$21,017,157</td>
<td>$3,682,245</td>
</tr>
<tr>
<td>by Third Parties</td>
<td>$13,928,042</td>
<td>$17,716,927</td>
<td>$3,788,885</td>
</tr>
<tr>
<td>Total Revenues Collected by MVD</td>
<td>$3,406,870</td>
<td>$3,300,230</td>
<td>$106,640</td>
</tr>
</tbody>
</table>
*Arizona fiscal year is July 1–June 30  
Source: Motor Vehicle Division, Arizona Department of Transportation, August 2006
D. DEALER RANKINGS OF OPTIONAL TEMPORARY TAG SYSTEMS

In the dealer survey, the TTI research team asked dealers to rank optional systems for issuing temporary tags. The dealer’s survey defined four optional systems as follows:

- **Dealer Issue System**: In this system, the dealer is responsible for ordering temporary tags from printers.

- **Temporary Tags with Security and Accounting Features**: In this system, various security or accounting measures are added to temporary tags such as a hologram or disappearing ink. These tags can be ordered from the state or from a dealer association or third-party vendor depending on the state’s rules.

- **Electronic Temporary Tags**: This system operates with real-time temporary registration. At the point of sale, a dealer inputs information into an electronic database. The vehicle is automatically registered and a temporary tag is then printed.

- **No Temporary Tags**: In this system, the metal plates follow the person. Therefore, when someone purchases a new car the metal plates from the old car are transferred to the new car. If necessary (in the case of a first time buyer, for example), metal plates can be issued by the dealership at the time of purchase.

**SUMMARY OF ADVANTAGES AND DISADVANTAGES BY TYPE OF SYSTEM FOR TEMPORARY TAGS**

Certain advantages and disadvantages both to the dealers and to the state accompany each of these systems. Exhibit 43 outlines some of these advantages and disadvantages of each type of system.
## Exhibit 43.
Advantages and Disadvantages by Type of System for Temporary Tags.

<table>
<thead>
<tr>
<th>System</th>
<th>Advantage</th>
<th>Disadvantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer Issue Temporary Tag (Cardboard)</td>
<td>- Easy to use</td>
<td>- Easily counterfeited or modified</td>
</tr>
<tr>
<td></td>
<td>- Convenient, tags can be printed by dealer</td>
<td>- Lack of database to track vehicles with temp tags</td>
</tr>
<tr>
<td></td>
<td>- Low cost to dealer</td>
<td>- Loss of revenue for inability to identify vehicle transactions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporary Tag with Security and Accounting Features</td>
<td>- Easy to use</td>
<td>- Requires approved printer or state issue at additional cost</td>
</tr>
<tr>
<td></td>
<td>- More difficult to counterfeit or modify</td>
<td>- Lack of database to track vehicles with temp tags</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Loss of revenue for inability to identify vehicle transactions</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electronic Temporary Tag</td>
<td>- Database to track vehicles with temp tags; counterfeit tags can be traced</td>
<td>- Initial State investment for system</td>
</tr>
<tr>
<td></td>
<td>- Real-time registration</td>
<td>- Change in system for dealers; additional training required; possible additional cost to dealers for computer and printer</td>
</tr>
<tr>
<td></td>
<td>- Increased revenue due to ability to identify vehicle transactions</td>
<td>- Initial inconvenience to dealer</td>
</tr>
<tr>
<td></td>
<td>- Convenience after implementation</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Temporary Tag (Metal Plates Follow Owner)</td>
<td>- Increased security; plates difficult to counterfeit</td>
<td>- Initial State investment</td>
</tr>
<tr>
<td></td>
<td>- Reduced administrative burden</td>
<td>- Also requires electronic system to track change in vehicle ownership</td>
</tr>
<tr>
<td></td>
<td>- Increased revenue due to ability to identify vehicle transactions</td>
<td>- Dealer inventory cost store plates for issue to new owners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Initial inconvenience to State</td>
</tr>
</tbody>
</table>
OPTIONAL SYSTEMS RANKED #1 BY DEALERS

In the dealer survey, the dealer respondents were asked to rank each of the four systems for issuing temporary tags. The dealers were given a set of nine criteria and were asked to rank each of the optional systems from one to four, with one referring to the most favorable system and four referring to the least favorable. The following Exhibit 44 presents the percent of dealers that ranked each system as being number one—the most favorable.

**Exhibit 44.**
Optional Systems Ranked #1 by Dealers—Most Favorable.

<table>
<thead>
<tr>
<th>Ranked as #1 for the following criteria:</th>
<th>Percent of Respondents Ranking This System #1 – Most Favorable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer Issue System</td>
<td>Dealer Issue System</td>
</tr>
<tr>
<td>Ease of access for the dealer</td>
<td>45%</td>
</tr>
<tr>
<td>Convenience to customer</td>
<td>41%</td>
</tr>
<tr>
<td>Less burden to dealer for inventory</td>
<td>38%</td>
</tr>
<tr>
<td>Ease of record keeping</td>
<td>38%</td>
</tr>
<tr>
<td>Ease of vehicle ID for law enforcement</td>
<td>45%</td>
</tr>
<tr>
<td>Deterrent for unlawful activity</td>
<td>41%</td>
</tr>
<tr>
<td>Less time for registration</td>
<td>38%</td>
</tr>
<tr>
<td>Less risk for counterfeit printing</td>
<td>38%</td>
</tr>
<tr>
<td>Less risk tag theft</td>
<td>45%</td>
</tr>
</tbody>
</table>

Percent of 545 Total Responses

Not all respondents chose to participate so percents across may not add up to 100%.
OPTIONAL SYSTEMS RANKED #4 BY DEALERS

Of equal value is the data showing the percentage of dealers who gave each system a number four ranking as being number four. Exhibit 45 details this information.

### Exhibit 45.
Optional Systems Ranked #4 by Dealers–Least Favorable.

<table>
<thead>
<tr>
<th>Ranked as #4 for the following criteria:</th>
<th>Dealer Issue System</th>
<th>Security Features</th>
<th>Electronic Temp Tags</th>
<th>No Temp Tags (Metal Tags Follow Person)</th>
<th>No Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ease of access for the dealer</td>
<td>31%</td>
<td>13%</td>
<td>19%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>Convenience to customer</td>
<td>34%</td>
<td>9%</td>
<td>16%</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Less burden to dealer for inventory</td>
<td>22%</td>
<td>16%</td>
<td>23%</td>
<td>23%</td>
<td>16%</td>
</tr>
<tr>
<td>Ease of record keeping</td>
<td>38%</td>
<td>9%</td>
<td>16%</td>
<td>18%</td>
<td>19%</td>
</tr>
<tr>
<td>Ease of vehicle ID for law enforcement</td>
<td>36%</td>
<td>10%</td>
<td>15%</td>
<td>22%</td>
<td>17%</td>
</tr>
<tr>
<td>Deterrent for unlawful activity</td>
<td>31%</td>
<td>13%</td>
<td>19%</td>
<td>21%</td>
<td>16%</td>
</tr>
<tr>
<td>Less time for registration</td>
<td>34%</td>
<td>9%</td>
<td>16%</td>
<td>25%</td>
<td>16%</td>
</tr>
<tr>
<td>Less risk for counterfeit printing</td>
<td>22%</td>
<td>16%</td>
<td>23%</td>
<td>23%</td>
<td>16%</td>
</tr>
<tr>
<td>Less risk tag theft</td>
<td>38%</td>
<td>9%</td>
<td>16%</td>
<td>18%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Percent of 454 Total Responses
Not all respondents chose to participate so percents across may not add up to 100%

DEALER OPINIONS BEFORE AND AFTER EXPLANATION OF THE ELECTRONIC TEMPORARY TAG

During the TxDOT-MVD dealer training seminar held in Abilene in May of 2006, dealers were given a pilot survey where they were asked to rank the same four options. The same survey was given to the dealers before the presentation on electronic tags was made and after the presentation was made. Support for electronic temporary tags was low compared to the other systems in the pre-presentation survey. However, electronic temporary tags were ranked number one as best in nearly all categories in the surveys taken after the training seminar.

DEALER COMMENTS

Within the dealer’s survey, respondents were given space at the end to leave any comments they wished pertaining to temporary tags. The intent was to allow the dealers to communicate anything that the survey questions did not permit them to say. Out of the 545 dealers who completed the survey, 170 of them, or roughly 30 percent, chose to leave a comment. These comments were grouped into several categories to better communicate the results.
About 10 percent of comments (three percent of respondents to the survey) were favorable to the procedures for temporary tags in effect after May 1, 2006.

- “The current system of Dealers being responsible for and issuing the temporary tags is working very well.”
- “I like the new red/black tags and the logging procedures.”
- “The new practices effective May 1, 2006, are an improvement.”
- “I think the current system is about as good as we can get it.”

About 50 percent of comments (16 percent of survey respondents) were unfavorable to the procedures for temporary tags after May 1, 2006.

- “Any ‘improvements’ to the current system will only further inconvenience those of us that do comply.”
- “This is not consumer or business friendly.”
- “The new method of issuing and controlling tags will not cause dealers to misuse tags no more than the old method.”
- “We are all being penalized for the actions of a few.”

About 25 percent of comments (eight percent of survey respondents) specifically mentioned an inconvenience imposed by the changes effective May 1.

- “The system effective May 1, 2006, creates an excessive burden on the dealership and needs to be modified.”
- “This new May 1, 06 system is a hassle.”
- “All this new log tracking is pointless and just causes more paper work for dealers.”

About 15 percent of comments (five percent of survey respondents) expressed the opinion that any system for issuing temporary tags will be subject to abuse.

- “Unlawful activity, if it is so rampant, will happen no matter how the rules are spelled out.”
- “Typically in these situations, the good guys go through much more paper work, costs, and efforts and the bad guys just ignore it or find another way to get around the law.”
- “It makes no matter what system DMV puts in place, there are always people who will circumvent the system.”
- “People who want to break your rules will no matter what you do to make it hard for us.”

About 20 percent of comments (six percent of survey respondents) suggested that more attention should be focused on law enforcement to stop the abuse of temporary tags.

- “If the State would enforce the existing laws this would not be a problem.”
- “Teaching the officers could help solve many problems concerning the tags.”
- “Find out who the violators are in the first place and enforce the law.”
- “You have got a tag system so use it, give it teeth, and enforce it.”
About 10 percent of comments (three percent of survey respondents) offered suggestions as to how to improve the temporary tag system.

- “Have the State of Texas issue their own temporary tags that are purchased from one business.”
- “I would like to know what methods other states are using and what impact did it have on reducing criminal activity.”
- “A good idea would be to do an ad campaign that advises consumers [who] carry a fake tag would have a costly fine.”
- “Eliminate the wording untitled vehicle on the black tag and put the words unlicensed vehicle instead.”

The law enforcement survey did not provide respondents the option to leave any comments.

DEALER ACCESS TO THE INTERNET

From April 8, 2005, through August 11, 2006, the TxDOT-MVD call center asked each dealer that called in “What area code are you calling from and do you have Internet access?” Of a total of 16,245 calls received from dealers, 14,644 or 90 percent responded yes to the availability of Internet access and 10 percent responded no.

During six training sessions for dealers between May 2005 and February 2006, TxDOT-MVD asked participants “Do you have Internet access?” Of 608 participants in the six training sessions, 585 or 96 percent said yes, 12 or two percent said no and 11 or two percent did not answer the question.

The TTI research team concludes that 90 to 96 percent of all dealers in the state already have Internet access and probably have a computer to use the Internet.
E. SUMMARY OF OBSERVATIONS AND FINDINGS

This section summarizes the observations and findings of the TTI study of systems for issuing temporary tags for use on unregistered motor vehicles in Texas. TTI conducted this study for TxDOT to compare the current system in Texas to other potential systems. The findings address public and transportation safety, homeland security, costs, efficiency, and reliability. The documentation is based on input from stakeholders and interested parties, including members of the public, dealers, and law enforcement.

CURRENT SYSTEM IN TEXAS–SUMMARY

The purpose of a vehicle license plate is to serve as an official, unique, and highly visible identification number for each motor vehicle. The permanent metal license plate (tag) provides a mechanism to document vehicle ownership. The purpose of a temporary tag is to provide official identification for an unregistered motor vehicle. The temporary tag serves in the place of a permanent metal vehicle license plate on a temporary basis and under specific circumstances.

Two different divisions within TxDOT are responsible for administering motor vehicle registration and regulating the motor vehicle industry. The Vehicle Titles and Registration Division is responsible for issuing certificates of title. Law requires Texas residents who own a motor vehicle to renew their vehicle registration annually with VTR. The Motor Vehicle Division is responsible for regulating the motor vehicle distribution industry in Texas. MVD licenses and regulates motor vehicle dealers and manufacturers. Temporary tags are included within the MVD responsibility for regulating motor vehicle dealers and manufacturers.

In Texas, cardboard tags serve as temporary authorization for use of a motor vehicle on a public highway pending receipt of the permanent license plates. Dealers are responsible for printing or contracting to print the temporary tags. Texas law precludes TxDOT from issuing dealer’s and buyer’s temporary tags. TxDOT can only prescribe the temporary tag color, form, and specifications. Because of the limitation on TxDOT authority to issue/contract to issue temporary tags, the tags are not governmental documents until they are properly filled out and affixed to the appropriate motor vehicle. Counterfeited temporary tags are not government documents.

There are three types of temporary tags used in the state of Texas. Dealer’s black temporary tags are used by dealers to demonstrate vehicles available for sale, and may be assigned to vehicles sold to a retail buyer (dealer) pending transfer of title to the new owner. There is no expiration date on the dealer’s black temporary tags. While the black tag is only used by the dealer before the sale of the vehicle, red and blue buyer’s temporary tags are issued to vehicles that are sold to a retail purchaser. The purpose of the buyer’s red temporary tag is to identify the newly sold vehicle as ‘untitled’ pending transfer of title and registration to the consumer. A dealer should issue the buyer only one red tag, and that tag is good for 21 calendar days. The blue supplemental buyer’s temporary tag can be issued to a buyer when a buyer’s red tag is expired but only in those instances when a dealer has paid off the lien on the vehicle and the lien holder has not issued the release of the lien within 10 days of the payment. The dealer should issue the blue supplemental buyer’s temporary tag only after the red tag has expired. Only one buyer’s blue tag may be issued for 21 calendar days after the expiration of the buyer’s red tag, for a total
of 42 calendar days after the date of sale. Otherwise, blue tags have the same requirements as red tags.

Dealers are responsible for printing or contracting to print temporary tags, marking the tag in ink with required information and displaying the tag on the vehicle before the vehicle is delivered to the buyer. All temporary cardboard tags are to be displayed either in the rear window or on the rear license plate holder of unregistered vehicles. As of May 1, 2006, each temporary tag must have a unique sequential number. The dealer is responsible for keeping a log to record the unique number for each temporary tag and the vehicle and owner to which the tag is assigned.

The dealer must also complete all documents necessary to transfer title and register the vehicle for the consumer and file this documentation within 20 working days of the date of sale. Finally, the dealer must pay state taxes and any fees on sale of the vehicle.

The county tax assessor-collector is responsible for collecting payment of taxes and fees and issuing license plates and registration insignia. The manner of paying sales tax depends on various conditions. For cash sales, the sales tax is due no later than the 20th working day after the date of the sale. For “in-house,” or dealer-financed sales, there are three options for paying the sales tax: (1) pay taxes in full with application for transfer of title, (2) pay taxes in full at next seller-financed reporting period, or (3) pay taxes at the time of filing the seller-financed reports in which case tax is paid only on amounts collected.

**CURRENT SYSTEM IS NOT EFFECTIVE**

The current system for temporary tags in Texas is not effective to meet the purpose of providing an official, unique, and highly visible identification for each motor vehicle pending transfer of title and registration. The current system is also not effective to meet the purpose of providing a mechanism to ensure taxes and fees are paid timely. Although dealers are responsible for assigning a unique number to each temporary tag, dealers do not record the data into an electronic database does not record the data. The specifications for the temporary tag design do not ensure the unique vehicle number or the name of the dealer is visible from a distance. The current system does not provide the electronic database necessary to track vehicle sales transactions by vehicle or by dealer.

Law enforcement representatives told the research team the current Texas system for temporary tags is not effective in protecting public and transportation safety and security. Law enforcement responses to the survey were particularly critical of the current design of temporary tags. The most prominent information is “Untitled Vehicle.” The expiration date is easily modified. The unique vehicle number required as of May 1, 2006, is not visible unless a person is within three feet of the vehicle, if at all. The dealer name is not visible from a distance, either. A law enforcement officer cannot access a database to look up a vehicle number and vehicle description in the field; therefore, law enforcement does not have the requisite tool to find probable cause to investigate a vehicle operator. Law enforcement cannot retrieve real-time data on a vehicle that may be involved in unlawful activity.
Discussions with dealers and responses to the dealer survey indicate dealers find the current Texas system is not reliable. Dealers report that red buyer’s tags are issued multiple times for the same vehicle although such practice is not permitted by statute. Temporary tags are easily duplicated, counterfeited, and modified. Statutes provide two different, conflicting deadlines to properly file for title and registration. One statute provides that a buyer’s temporary tag is valid for 21 calendar days; however, another statute says that a dealer has 20 working days (at least 30 calendar days) to file for transfer of title and registration and to pay motor vehicles sales tax and fees. The conflict in dates is, at least, confusing and may encourage abuse of the temporary tag system.

The State of Texas, counties, other local governments, and toll authorities are losing revenue because the current temporary tag system in Texas does not ensure the ability to identify a vehicle owner by the unique number on the tag. The unique number and the name of the dealer may not be legible because there are no minimum size requirements for the lettering on the temporary tag. For this reason, toll agencies do not have the requisite information to recover tolls for vehicles with temporary tags. When a vehicle passes through a toll booth without paying a cash fare and without an electronic toll tag, a photo of the license plate is taken to identify the owner of the vehicle to pursue payment. The image of the temporary tag is not of high enough resolution to read the unique number or the name of the dealer. Similarly, local governments do not have the information needed to pursue payment of traffic fines. More local police departments are taking photos of violators of local traffic laws. A photo of the license plate is taken to identify the owner of the vehicle to issue a ticket and pursue payment. The image of the temporary tag is not of high enough resolution to read the unique number or the name of the dealer. If the unique number and dealer name on each temporary tag could be seen by photo, the data are not recorded in an electronic database. Without an electronic database, state and local governments do not have the ability to identify the owner of the vehicle without contacting the dealer by telephone during normal business hours.

The current system for temporary tags in Texas is not effective to provide tax assessor-collectors the requisite data resource to ensure motor sales tax and vehicle registration and title fees are paid timely and in accordance with statute. The current system does not provide for an electronic database to track vehicle sales transactions by vehicle or by dealer. In the absence of a database for reference, state and local governments cannot accurately and efficiently verify motor vehicle sales tax and fees are paid timely. Not all tax assessor-collectors recover revenues for penalties for not paying sales tax timely. Dealers and tax assessor-collectors provided anecdotal information about instances when a dealer sells a vehicle, later repossesses and sells the vehicle again without filing for transfer of title and registration and without paying the requisite motor vehicle sales tax. The dealer facilitates this business practice by issuing multiple temporary tags.

The lack of an effective system for temporary tags for vehicles raises a concern related to homeland security. A tax assessor-collector and TxDOT official from a border county told TTI that counterfeit temporary tags are available for sale in the United States and Mexico. The counterfeit tags are used to transfer stolen or salvage vehicles across the border without contest. Even if a tag was legally prepared, without a central database as reference, border agents cannot identify the owner of the vehicle or verify the legal status of the vehicle.
There are not sufficient resources to enforce the current system for temporary tags in Texas. MVD enforcement resources are limited and not sufficient for a state as large as Texas in terms of geography, number of dealers, and number of counties. An audit of dealers’ processes and records now requires a field visit. The existing program for dealer training is not sufficient for the size of the state and the number of dealers.

In focus group interviews and by evidence of responses to the survey, TTI found that dealers might not understand responsibilities and obligations. Dealers need additional training and retraining. Training should be provided in at least one second language (Spanish).

SYSTEMS USED IN OTHER STATES

Nine states do not use temporary vehicle tags: Alabama, Arkansas, California, Delaware, Idaho, Iowa, Massachusetts, North Carolina, and North Dakota. These states allow drivers to carry proof of purchase or a title with them until the vehicle has been properly registered.

In the remaining 41 states, there are four “generations” of temporary tag design and distribution:

- The distinguishing feature of first generation system is that dealers are responsible for printing their own temporary tags. The temporary tags may be printed in-house or by a vendor. The vendor is not required to have any special permit from the state. The state may define format of the tag or may leave that up to the dealer. Tags have no security features such as holograms or special ink. Texas and Oklahoma are the only two states that fall within this category of systems for temporary tags.

- The second generation system requires dealers to purchase tags from a state or local government agency (or agent delegated that responsibility by the state) that tracks the production and distribution of the tags. The temporary tags may, but are not required to, have security features. The difference between the first and second generation temporary tags is who prints and controls distribution of the tags. Some of the states that use the second generation temporary tag are Louisiana, Mississippi, New Hampshire, Vermont, and South Dakota.

- The third generation temporary tag requires dealers to purchase the tags from a state or local government agency or an approved vendor with security clearance and uses some form of security feature or features. Examples of security features are a hologram strip or special ink. Some of the states that use the third generation temporary tag are Georgia, Colorado, Illinois, Minnesota, and Ohio.

- The fourth generation of temporary tags is an electronic system provided by the state for authorized use by the dealers. This allows dealers to print temporary tags at the dealership by logging on to an electronic system. The dealer enters all the necessary vehicle and customer information into the electronic system. Then a temporary tag is printed with the expiration date, description of the vehicle, dealership, and a unique, temporary registration number. A portion of the printed temporary registration is removed from the bottom of the temporary tag and stored in the vehicle. This registration slip contains the vehicle purchaser information, date purchased, vehicle make and model, and dealership information.
plastic sleeve and installed in the rear license plate holder. The first states to use electronic temporary tags were Arizona and Montana. Florida is conducting a pilot test of the temporary tags this year, and Virginia and Wisconsin plan to introduce temporary tags in 2007.

TTI identified four states where temporary tags are issued only in limited situations: Connecticut, Maryland, New York, and Pennsylvania. In these states, the dealers are authorized to issue metal plates directly to the buyer. The requirement for a temporary tag is limited to two situations in these four states. First, a dealer will issue a temporary tag to a buyer from another state. Second, a small percent of dealers in each of the states is not authorized to issue metal plates and these dealers issue temporary tags pending the application for a permanent metal plate to be issued by the state. Of the four states that permit dealers to issue metal tags directly to the buyer, three use an electronic system to register vehicle sales with the state (New York, Connecticut, and Pennsylvania).

Texas is one of eight states where the vehicle tags follow the vehicle. In 38 of 50 states, the vehicle tags follow the owner, not the vehicle. All states that use either electronic tags or metal plates from dealers also require vehicle tags to follow the owner.

STAKEHOLDER COMMENTS

TxDOT/MVD Comments on a Change in the System for Temporary Tags

The Motor Vehicle Division of TxDOT recommends a change in the current temporary tag system for Texas. Electronic tags will address the concerns of the state. The electronic temporary tag system allows a dealer to log into a state sponsored electronic system accessible from the Internet to register a vehicle temporarily. The dealer enters the vehicle and customer information into the system. This process temporarily registers the vehicle in the state database before the customer leaves the dealership. The database will have the temporary registration number, expiration date, description of the vehicle, dealership information, and customer name.

The dealer prints the temporary tag with the vehicle data, sales date, and purchaser information. The dealer uses a standard printer. The temporary tag has a unique identifying number linked into the system. The tag is placed in a plastic sleeve in the rear license plate location on the vehicle. The unique identifying number is the most visible data on the temporary tag and is visible from a distance.

Law Enforcement Comments on a Change in the System for Temporary Tags

Law enforcement recommends a change in the current temporary tag system for Texas. Electronic temporary tags will address concerns of law enforcement. An effective temporary tag design will ensure the unique number for the temporary tag on each vehicle is visible. The electronic database will provide law enforcement real-time access to retrieve data with a vehicle description and the owner of a vehicle.
Dealer Survey Responses and Comments on a Change in System for Temporary Tags

Discussions with dealers and responses to the dealer survey indicate some dealers are willing to consider a change in the system for temporary tags in Texas.

When asked to rank the current dealer issue temporary tag system, less than 50 percent of respondents to the dealer survey ranked the current system as the most favorable (45 percent) for ease of access to the dealer and convenience to the customer (41 percent). Less than one-half of dealers who responded to the survey ranked the current system as the most favorable for ease of vehicle identification by law enforcement (45 percent) and deterrent for unlawful activity (41 percent). Of all respondents to the dealer survey, 38 percent ranked the current system as most favorable for less of a burden to the dealer and ease of record keeping.

On the other hand, about one-third of dealers who responded to the survey ranked the current system as least favorable (31 percent) for ease of access to the dealer and convenience to the customer (34 percent). About one-third of dealers who responded to the survey ranked the current system as the least favorable for ease of vehicle identification by law enforcement (36 percent) and deterrent for unlawful activity (31 percent). Of all respondents to the dealer survey, 22 percent ranked the current system as least favorable for less of a burden to the dealer and 38 percent ranked the current system as least favorable for ease of record keeping.

When asked about electronic temporary tags in the survey, dealers gave the following responses:

- One in five dealers ranked electronic temp tags as number one for ease of record keeping and less risk for counterfeit printing.
- One in six dealers ranked electronic tags as number one for ease of access to the dealer and less burden to the dealer for inventory. The same number of dealers ranked electronic tags most favorable for less time for registration.
- One in six dealers also ranked electronic tags as number one for ease of vehicle ID for law enforcement and less risk for tag theft.
- One in seven dealers ranked electronic tags as number one for convenience to the customer and as a deterrent for unlawful activity.

When asked about metal tags following the owner, dealers gave the following responses:

- One in three dealers ranked metal tags follow the owner as number one for fewer burdens to the dealer for inventory and less time for registration.
- Almost one in three dealers ranked metal tags follow the owner as less risk for counterfeiting, and as a deterrent for unlawful activity.
- About one in three dealers also ranked metal tags follow owner as most favorable for convenience to the customer and ease of record keeping.
- One in four dealers ranked metal tags follow the owner as number one for ease of access for the dealer, less risk for tag theft, and ease of identification for law enforcement.
Dealers are not as interested in adding security features to temporary tags as the following responses show:

- One in 25 dealers ranked security features as number one for ease of record keeping and less risk for counterfeit printing.
- One in 20 dealers ranked security features as number one for fewer burdens to the dealer for inventory and less time for registration.
- One in 16 dealers ranked security features as number one for convenience to the customer and as a deterrent for unlawful activity.
- One in 12 dealers ranked security features as number one for ease of access for the dealer, ease of vehicle ID for law enforcement, and less risk of theft.

Although some dealers are willing to consider a change in the system for temporary tags, dealers also have concerns. The following are the concerns mentioned most often in discussions with dealers or as comments on the survey. In most cases, the frame of reference for the dealer is a change to an electronic temporary tag system.

- Dealers are concerned about the cost of a change in the system for temporary tags. Dealers want to know if dealers or consumers will absorb any fee. Although a small percent of the total, some dealers do not have a computer and access to the Internet.

- Dealers fear licensing consequences. Some dealers think a centralized electronic system sponsored by a state agency could be used against them and affect their livelihood (through loss of license). Some dealers think an electronic temporary tag program for vehicles may risk government “intrusion” into their business.

- Change is always a concern. Dealers are concerned about the transition period from one system to another.

- Dealers seek greater avenues of communications. Dealers demonstrated a lack of trust of cooperation with state agencies.

**ALTERNATIVES CONSIDERED**

The current temporary tag system in Texas is not effective at several levels. The research team investigated the following alternatives strategies:

- The base alternative does not change the current system. However, the design of the current temporary tag should be modified to ensure the unique number for the vehicle is larger and visible from a distance. The conflict in dates specified in statute (21 calendar dates versus 20 working days) should also be addressed. The no change alternative does not address the several limitations of the current system.
• A second alternative is to advance the Texas system to the second generation (state issued and controlled temporary tags) or third generation (state issued and controlled with additional security features). However, the second and third generation systems used in other states do not take advantage of the benefits of available technology to address the several limitations of the current system.

• The third alternative is to change the system for dealers to issue metal tags directly to the buyer. While this alternative was of interest to dealers—an effective program will still require an electronic system to record transactions.

• The alternative system that would address the majority of concerns about the current system is electronic temporary tags.

A change to metal tags follows the owner rather than the vehicle is of interest to all parties. However, this alternative does not specifically address temporary tags. The metal tags follow the owner will reduce the general burden to the state, counties, dealers, and the customers to inventory and supply metal tags. Existing metal tags follow the owner from vehicle to vehicle. New tags are required only if the buyer does not already have a vehicle tag to transfer or if the metal tag is aged and requires replacement.

FINDINGS

There are several opportunities for improvement in the current system for temporary tags in Texas:

• Legislature should revise the statutes to reconcile two different, conflicting deadlines to file properly for title and registration. One statute provides that a buyer’s temporary tag is valid for 21 calendar days; however, another statute says that a dealer has 20 working days (at least 30 calendar days) to file for transfer of title and registration and to pay motor vehicles sales tax and fees.

• TxDOT should improve the design of the temporary tag to ensure the ability to identify the unique number for each vehicle. The design of the temporary tag emphasizes the term “Untitled Vehicle” and does not provide for the unique number or the dealer name to be legible from a distance. The expiration date is easily modified. Temporary tags are easily duplicated, counterfeited, and modified.

• Technology can provide better record keeping and a more reliable system. The electronic temporary tag system allows a dealer to log into a state sponsored electronic system accessible from the Internet to register a vehicle temporarily. The dealer enters the vehicle and customer information into the system and prints out a temporary tag at the dealership. This process temporarily registers the vehicle in the state database before the customer leaves the dealership. The temporary tag will have the expiration date, description of the vehicle, dealership information, customer name, and temporary registration number. The dealer no longer has to hand-write information on the tag. The electronic system can be designed to produce several useful and automated reports for the dealer to help in administration.
• Technology can improve access to data for law enforcement to improve the effectiveness of the system for public and transportation safety. A law enforcement officer can access a database to look up a vehicle number and vehicle description in the field on a real-time basis.

• Technology can improve the efficiency and effectiveness of the current temporary tag system. An electronic temporary tag system will permit state, regional, county, and local governments to verify dealer information and dates of sale for vehicles in order to collect revenues in a timelier manner.

• An electronic tag system can resolve some concerns for homeland security. With a requirement for an electronically generated temporary tag and a central database as a reference, border agents can efficiently identify the owner of the vehicle being transported across the border and verify the legal status of the vehicle.

• Experience in other states suggests that Texas can implement an electronic temporary tag system with only a nominal cost to the dealer or customer. Ongoing operations costs are limited and the fee per tag can be $1.00 or less. The state’s investment for startup can be recovered within a few years or even months. A dealer’s start-up cost is a computer, printer, and access to Internet. Options should be available for a dealer without Internet access to be able either to logon to the state’s electronic system at another location or use a telephone and fax to access the system through interactive voice response.

• TxDOT VTR can prescribe the specifications for an electronic system to complement existing automation with the RTS system already in place. The systems can be seamless from the perspective of the dealer and the customer.

• A change in the system for temporary tags should be comprehensive and should address as many of the limitations identified as possible. The new system should be developed with buy-in from stakeholders.

KEYS FOR SUCCESS

Some considerations to keep in mind for a successful transition to an electronic system for temporary tags are as follows:

• Establish common goals and measures of success that can be mutually agreed upon among stakeholders. Any new system risks the perception of creating stricter “sanctions” on dealers. Due to the history of the temporary tag systems, third-party facilitation may be useful.

• Ensure the electronic systems for temporary tags by MVD and electronic systems used by VTR (RTS) are seamless to the user.
• Provide real-time access to the electronic database for all users. Access to information can be restricted to eligible data by user category. The users of the database should include at a minimum:
  o TxDOT (MVD and VTR),
  o dealers,
  o county tax assessor-collectors, and
  o law enforcement.

• Ensure reliability by providing redundant systems.

• Provide reasonable alternatives for dealers that do not have access to a computer or Internet. Options can be using other sites for access, an IVR system, or perhaps a dealer association could sponsor a program for small dealers with limited resources.

• Enhance enforcement of procedures by providing for audit of electronic reports.

• Provide additional resources for MVD to provide more extensive dealer training, including bilingual training. Consider including the cost of more extensive training in the implementation of the new system.

• Consider a provision for any fee for the electronic temporary tag to be paid by the dealer or passed through to the customer. This provision is tolerable if the fee is $1.00 (as in Arizona) or less.
APPENDIX 1. AUTO DEALER ASSOCIATIONS INTERVIEW OUTLINE

The following questions were not asked verbatim but were used to guide the discussion.

- From the perspective of your organization, what are the strengths/advantages/pros of the current system?

- From the perspective of your organization, what are the weaknesses/disadvantages/cons of the current system?

- Given the weaknesses or disadvantages you identified, what would you suggest as the best way to resolve those concerns?

- In 2005, Senate Bill 1073 was filed to provide the Motor Vehicle Board [now Texas Transportation Commission has the authority] to issue or contract for the issuance of all temporary tags. What was the TADA/TIADA position on that bill?
  - Topics to probe
    - Cost to the dealer
    - Cost to the consumer
    - Counterfeiting
    - Locating/using certified printers
    - Inventory
    - Consumer privacy [what information should be private?]  
    - Centralization in a state agency [what is different than current?]  
    - Government oversight, control [probe details]
    - Could affect dealer livelihood and be used against them [ask to explain, probe]
    - Technology costs and access

- Others have raised the following concerns about the current system. We would be interested in your perspective on the following:
  - Topics to probe
    - Database to identify vehicle ownership
    - Problems when “buy here, pay here” dealers do not pass the title and then go out of business
    - Law enforcement concerns

- Law enforcement to thwart criminal activity is one of the most often mentioned reasons why some believe a better system for temporary tags is needed.
  - You have probably heard descriptions of instances when a law enforcement officer could not verify a vehicle involved in a traffic violation or incident because the vehicle had temporary tags. Do you see that as a valid concern?
You have probably heard descriptions of instances when temporary tags are used on vehicles involved in criminal activity such as thefts or transporting stolen goods or illicit drugs. Do you see that as a valid concern?

There are many examples of either counterfeiting the cardboard temporary tag or modifying the termination dates for the temporary tag. The argument is that if the tag is printed by the State, counterfeiting could be thwarted. Do you see that as a valid issue?

- Other states use different systems. What do you think about the following:
  - State printed and distribution of the stock
  - Adding security features including holograms, etc. to deter counterfeiting
  - Electronic temporary tags

The other topic we want to talk about with you today is:
- electronic temporary tags.

As you probably know, TxDOT is hosting a meeting of stakeholders with interest in the Texas electronic temporary tags. At this meeting, TxDOT will address the following specific processes and procedures that could or should take place for the issuance of an electronic tag:

- From the perspective of your organization, what are the strengths/advantages/pros for an electronic temporary tag system?

- From the perspective of your organization, what are the weaknesses/disadvantages/cons of an electronic temporary tag system?

- Going back to Senate Bill 1073 giving TxDOT the authority to issue or contract for the issuance of all temporary tags–How does the concept of an electronic tag system affect your organization’s position on the authority to issue, or contract for the issuance of, all temporary tags?

- Have you followed the transition to electronic temporary tags in Arizona or in Montana? If yes, what are your impressions of either state system?
APPENDIX 2. DEALER SURVEY

The survey below is representative of the web-based survey. Because the survey was web-based and designed to be taken on-line the questions below may appear in a different format; however, the content is identical.

Temporary Tag Survey

A survey to collect your ideas on systems used to issue temporary tags for use on unregistered motor vehicles as it relates to public and transportation safety, homeland security, costs, efficiency, and reliability.

Section A: Background Information and Current Situation Assessment

Q1: What is the ZIPCODE of this dealership?
Please write your answer here:

Q2: Which, if any, of the following trade associations is this dealership a member of?
Please choose all that apply:
- Texas Automobile Dealers Association (TADA)
- Texas Independent Automobile Dealers Association (TIADA)
- Texas Recreational Vehicle Dealer Association
- Texas Motorcycle Dealers Association
- Local Dealer Association
- Local Independent Dealer Association
- National Association of Buy Here Pay Here Dealers (NABD)
- NONE
- Other:

Q3: What types of vehicles does this dealership sell?
Please choose all that apply:
- New passenger vehicles
- Used passenger vehicles
- New motorcycles
- Used motorcycles
- New motor homes
- Used motor homes
- New towable recreational vehicles
- Used towable recreational vehicles
- Trailers or semitrailers
- Other:

Q4: How many sales people are employed at this dealership?
Please choose only one of the following:
- 1–10
- 11–21
- 21–50
- More than 50
Q5: Approximately how many vehicles were sold at this dealership in 2005?
Please choose only one of the following:
5–200
201–400
401–800
801–1200
1201–1600
More than 1600

Q6: What type(s) of financing does this dealership offer?
Please choose all that apply:
Direct lending, e.g. bank, credit union, specialty finance lenders
Dealership in-house financing, e.g. buy here, pay here
Manufacturer-sponsored financing program, e.g. GMAC, Ford Credit, etc.

Section B1: Questions About Temporary Tag Logs

DEFINITIONS
Buyer’s Tag—Also referred to as a Red tag. This is the temporary tag issued by a dealership while title and registration are pending on the vehicle. This tag is valid for 21 calendar days.

Supplemental Buyer’s Tag—Also referred to as a Blue tag. This is the tag that is issued by the dealership if the Red tag has expired and the dealership has been unable to obtain release of lien from the lien holder to transfer title. This tag is valid for an additional 21 days. The dealer is permitted to issue one Blue tag to extend the time allowed for temporary registration to a maximum of 42 days.

Dealer’s Tag—Also referred to as a black tag. This is the tag used by the dealership to move inventory and to display in the vehicle during test drives. This tag has no expiration date.

Please note that these questions refer to post May 1 procedures.

The following questions refer to the Temporary Tag Log only.

Q1: How does this dealership log/inventory Red Buyer tags?
Please choose only one of the following:
Electronically—Enter into a computer record at the time each tag is issued
Keep a handwritten log then transfer to a computer record later
Manually—Handwritten log only
Other

Q2: Is one employee responsible for logging Red Buyer tags?
Please choose only one of the following:
Yes
No
Q3: How many employees have access to Red Buyer tag log?
Please choose only one of the following:
1 person
2–5 people
More than 5 people

Section B2: Questions About Temporary Tags

DEFINITIONS

Buyer’s Tag—Also referred to as a Red tag. This is the temporary tag issued by a dealership while title and registration are pending on the vehicle. This tag is valid for 21 calendar days.

Supplemental Buyer’s Tag—Also referred to as a Blue tag. This is the tag that is issued by the dealership if the Red tag has expired and the dealership has been unable to obtain release of lien from the lien holder to transfer title. This tag is valid for an additional 21 days. The dealer is permitted to issue one Blue tag to extend the time allowed for temporary registration to a maximum of 42 days.

Dealer’s Tag—Also referred to as a black tag. This is the tag used by the dealership to move inventory and to display in the vehicle during test drives. This tag has no expiration date.

Please note that these questions refer to post May 1 procedures.

The following questions refer to the Temporary Tags themselves.

Q1: Are Red Buyer tags kept in a secured/locked location?
Please choose only one of the following:
Yes
No

Q2: How are Red Buyer tags stored/secured at this dealership?
Please choose only one of the following:
One central location in dealership
Multiple locations in dealership (i.e. each salesperson’s desk)
Other

Q3: How many employees have access to Red Buyer tags?
Please choose only one of the following:
1 person
2–5 people
More than 5 people

Q4: Is each salesperson responsible for assigning the Red Buyer tag to each car he or she sells or is one person responsible for assigning all Red tags to vehicles sold at the dealership?
Please choose only one of the following:
Individual Sales Person
Other designated person
Q5: On average, how often are additional temporary tags issued after the initial sale?
Please choose only one of the following:
1–10% of the time
11–20% of the time
21–50% of the time
More than 50% of the time

Section C1: Questions About Black Dealer Tag Log

Please note that these questions refer to post May 1 procedures.

The following questions refer to the Black Temporary Tag Log only.

Q1: How does this dealership log/inventory Black Dealer tags?
Please choose only one of the following:
Electronically–Enter into a computer record at the time each tag is issued
Keep a handwritten log then transfer to a computer record later
Manually–Handwritten log only
Other

Q2: Is one employee responsible for logging Black Dealer tags?
Please choose only one of the following:
Yes
No

Q3: How many employees have access to Black Dealer tag log?
Please choose only one of the following:
1 person
2–5 people
More than 5 people

Section C2: Questions About Black Dealer Tags

Please note that these questions refer to post May 1 procedures.

The following questions refer to the Black Temporary Tags themselves.

Q1: Are Black Dealer tags assigned to the employee or the vehicle?
Please choose only one of the following:
Employee
Vehicle
Both

Q2: Are Black Dealer tags kept in a secured/locked location?
Please choose only one of the following:
Yes
No
Q2a: How are Black Dealer tags stored/secured at this dealership?
Please choose only one of the following:
One central location in dealership
Multiple locations in dealership (i.e. each salesperson’s desk)
Other:

Q2b: How many employees have access to Black Dealer tags?
Please choose only one of the following:
1 person
2–5 people
More than 5 people

Section D: Questions About Security of Red Temporary Tags

Q1: Within the past two years, have you had reason to be concerned about the unauthorized use of Red Temporary Tags in this dealership?
Please choose only one of the following:
Yes
No
[Only answer this question if you answered ‘Yes’ to question ‘Q1’]

Q2: What is the nature of your concern?
Please choose all that apply:
Missing tags
Stolen tags
Instances when someone offers to buy temporary tags from dealership or sales staff
Unauthorized use of Temporary Tags by dealership personnel
Theft of Temporary Tags at auction
Other:

Q3: Based on your knowledge of the industry, not your dealership, do you think there may be unlawful activity associated with the current Red Temporary Tag system?
Please choose only one of the following:
Yes
No
[Only answer this question if you answered ‘Yes’ to question ‘Q3’]

Q4: Please check any unlawful activity of which you are aware.
Please choose all that apply:
Printers printing counterfeit tags
Persons using temporary tags to be anonymous
Persons using temporary tags to conceal identity for the purpose of criminal activity
Abuse of temporary tags to sell salvaged vehicles
Abuse of temporary tags to curbstone
Failure to process transfer of title timely in order to extend time to “float”
Persons using temporary tag to avoid registering a vehicle
[Only answer this question if you answered ‘Persons using temporary tag to avoid registering a vehicle’ to question ‘Q4’]
Q5: If to avoid registering a vehicle, for which of the following reasons?
Please choose all that apply:
Vehicle inspection
Emissions inspection
Liability insurance
Sales tax payment avoidance
Toll payment avoidance
Parking fine avoidance
[Only answer this question if you answered ‘Yes’ to question ‘Q3 ‘]

Q6: In your opinion, which abuse occurs most frequently? Please list one:
Please write your answer here:

Section E: Questions About Security of BLACK Temporary Tags

Q1: Within the past two years, have you had reason to be concerned about the unauthorized use of Black Dealer tags by dealership personnel?
Please choose only one of the following:
Yes
No
[Only answer this question if you answered ‘Yes’ to question ‘Q1 ‘]

Q1a: If Yes, what is the nature of your concern?
Please choose all that apply:
Missing tags
Stolen tags
Instances when someone offers to buy temporary tags from dealership or sales staff
Unauthorized use of temporary tags by dealership personnel
Theft of temporary tags at auctions for used cars
Other:

Q2: Based on your knowledge of the industry (not your dealership), do you think there may be unlawful activity associated with the current Black Dealer Tag system?
Please choose only one of the following:
Yes
No
[Only answer this question if you answered ‘Yes’ to question ‘Q2 ‘]

Q3: Please check any unlawful activity of which you are aware.
Please choose all that apply:
Printers printing counterfeit tags
Persons using temporary tags to conceal identity
Persons using temporary tags to conceal identity for the purpose of criminal activity
Abuse of temporary tags to sell salvage vehicles
Abuse of temporary tags to curbstone
Failure to process transfer of title timely in order to extend time to “float”
[Only answer this question if you answered ‘Yes’ to question ‘Q2 ‘]
Q4: In your opinion, which abuse occurs most frequently? Please list one:
Please write your answer here:

Section F: Enforcement of Temporary Tags

Q1: In your opinion, what action(s) would be effective in reducing abuse of temporary tags?
Please choose all that apply:
Targeted regulatory enforcement of dealers
Improved pre-license regulatory inspection of dealer applicants
Targeted law enforcement of motor vehicle operators
Improved law enforcement of illegal tag distribution
Improved efficiency of the method for recording and issuing temporary tags
Improved security features on temporary tags
Other:

Section G: Optional Systems Ranking

Some states are exploring alternative security features for temporary tags and methods for issuing the tags. Four different systems are detailed below. In this next section, you will be asked to rank each of the systems using the provided criteria. Please rank the systems against one another for each given criteria where 1 is the best and 4 is the worst.

Dealer Issue System–In this system, the dealer is responsible for ordering temporary tags from printers.

Temporary Tags with Security and Accounting Features–In this scenario, various security or accounting measures are added to the temporary tags such as a hologram or disappearing ink. These tags can be ordered from the state or from a dealer association or a third-party vendor depending on the state’s rules.

Electronic Temporary Tags–This system operates with real-time temporary registration. At the point of sale, a dealer inputs information into an electronic database. The vehicle is automatically registered and a temporary tag is then printed.

No Temporary Tags–In this scenario, the metal plates follow the person. Therefore, when someone purchases a new car the metal plates from the old car are transferred to the new car. If necessary (in the case of a first time buyer, for example), metal plates can be issued by the dealership at the time of purchase.

Please Rank each of the optional systems according to the given criteria with 1 being the best and 4 being the worst.

Q1: Ease of access for the dealer
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer
Q2: Convenience to customer
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q3: Less burden to the dealer for inventory management
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q4: Ease of record keeping
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q5: Ease of vehicle identification for law enforcement
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q6: Deterrent for unlawful activity
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q7: Less time necessary to complete registration paperwork
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q8: Less risk for counterfeit printing of tags
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer
Q9: Less risk for tag theft
Please number each box in order of preference from 1 to 4
Dealer responsible
Secure temporary tags
Electronic temporary tags
Metal plates follow the buyer

Q10: Please provide any additional comments in the space provided.
Please write your answer here:

Submit Your Survey.
Thank you for completing this survey.
We Invite You To Participate In a Web-Based

Dear Dealer,

In 2005, the Texas Legislature passed House Bill 2702 which required the Texas Department of Transportation (TxDOT) to “conduct a study of systems for issuing temporary tags for use on unregistered motor vehicles.” TxDOT has contracted with the Texas Transportation Institute (TTI), an agency of the Texas A&M University System, to conduct this study. It is TTI’s intent to accurately and thoroughly report the facts to TxDOT. In order to do this, we need your help. TTI is making available a web-based survey, the purpose of which is to obtain your thoughts and opinions on the subject as it relates to public and transportation safety, homeland security, costs, efficiency, and reliability. Please be assured that all your answers will remain anonymous. Simply visit www.temptagsurvey.org to take advantage of the opportunity to provide input on this important topic. The survey will remain active and available until June 16, 2006. We look forward to receiving your responses.

WWW.TEMPTAGSURVEY.ORG
APPENDIX 4. LISTENING SESSION LETTER

Dear:

In 2005, the Texas Legislature passed House Bill 2702 which required the Texas Department of Transportation (TxDOT) to “conduct a study of systems for issuing temporary tags for use on unregistered motor vehicles.” TxDOT has contracted with the Texas Transportation Institute (TTI), an agency of The Texas A&M University System, to conduct this study.

TTI intends to accurately and thoroughly report the facts to TxDOT. In order to do this, we need the perspective of the law enforcement community. TTI is hosting a listening session specifically intended for law enforcement representatives to hear your thoughts and opinions on this subject as it relates to public and transportation safety, homeland security, costs, efficiency, and reliability. The listening session will be held on Thursday, May 11, 2006; 8:30–11:30 at the City of Austin Learning and Research Center located at Austin Bergstrom International Airport. The Learning and Research Center is located at 2800 Spirit of Texas Drive. See the following website for a map http://www.ci.austin.tx.us/health/downloads/lrcmap.pdf.

This is your opportunity to provide input on behalf of your organization about this important topic. Specifically, we are seeking your opinions about the use of temporary tags. We are interested in your experiences in the use or abuse of temporary tags. To the best of your knowledge, do persons use temporary tags on motor vehicles for unlawful activity? If so, can you provide specifics or quantify the extent of such activity? We encourage you to bring any documentation you have of these activities. Please forward this letter to the appropriate personnel in your organization.

Space and seating are limited so please RSVP to Tina Collier at t-collier@tamu.edu. If you need additional information, please feel free to contact me at the number above. We hope to see you there. If you are unable to attend the listening session, members of your organization may submit comments to temptagstudy@ttimail.tamu.edu.

Sincerely,

Tina Collier
Associate Transportation Researcher