

HOUSE BILL REPORT

2SHB 2436

As Amended by the Senate

Title: An act relating to vehicle license fraud.

Brief Description: Concerning vehicle license fraud.

Sponsors: House Committee on General Government Appropriations (originally sponsored by Representatives Moeller, Green, Clibborn, Pedersen, Carlyle, Morrell and Jacks).

Brief History:

Committee Activity:

Transportation: 1/13/10, 1/14/10 [DPS];

General Government Appropriations: 2/2/10, 2/5/10 [DP2S(w/o sub TR)].

Floor Activity:

Passed House: 2/12/10, 97-0.

Senate Amended.

Passed Senate: 3/11/10, 48-0.

Brief Summary of Second Substitute Bill

- Deposits the fine of \$529 and the amount of the taxes and fees for the licensing of a vehicle in another state by a resident of this state to evade the payment of any tax or license fee into the Vehicle Licensing Fraud Account.
- Directs the State Treasurer to transfer excess fund balance at the beginning of each biennium to the General Fund.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 24 members: Representatives Clibborn, Chair; Liias, Vice Chair; Roach, Ranking Minority Member; Armstrong, Driscoll, Eddy, Finn, Flannigan, Herrera, Johnson, Klippert, Kristiansen, Moeller, Morris, Nealey, Rolfes, Sells, Shea, Simpson, Springer, Takko, Upthegrove, Wallace and Williams.

Minority Report: Do not pass. Signed by 1 member: Representative Ericksen.

Staff: Jerry Long (786-7306).

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

HOUSE COMMITTEE ON GENERAL GOVERNMENT APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Transportation. Signed by 13 members: Representatives Darneille, Chair; Takko, Vice Chair; McCune, Ranking Minority Member; Blake, Dunshee, Hudgins, Kenney, Klippert, Pedersen, Sells, Short, Van De Wege and Williams.

Staff: Melissa Palmer (786-7388).

Background:

New Washington residents, unless exempt, must obtain a valid Washington driver's license and register their vehicles within 30 days from the date they become residents. Exemptions include a person in the military, a nonresident driver, shared ownership or a person operating special highway construction equipment, a farm tractor, non-public road travel, or other evidence satisfactory to the Department of Licensing that they have a valid and compelling reason for not being able to meet the registration requirements.

Failure to register a vehicle in Washington before operating it on the highways is a traffic infraction of \$529, and no part may be suspended or deferred. The avoided taxes and fees must be deposited and distributed in the same manner as if the taxes and fees were paid in a timely fashion. A motor vehicle subject to initial or renewal registration shall not be registered to a person unless the person has an unexpired Washington driver's license.

The licensing of a vehicle in another state by a resident of this state to evade the payment of any tax or license fee imposed in connection with registration is a gross misdemeanor punishable as follows:

- For a first offense, up to one year in the county jail and payment of a fine of \$529 plus twice the amount of delinquent taxes and fees, no part of which may be suspended or deferred.
- For a second or subsequent offense, up to one year in the county jail and payment of a fine of \$529 plus four times the amount of delinquent taxes and fees, no part of which may be suspended or deferred.

The fines levied and the avoided taxes and fees for a second or subsequent offense will be deposited in the Vehicle Licensing Fraud Account to be used only for vehicle license fraud enforcement and collections by the Washington State Patrol (WSP) and the Department of Revenue (DOR).

Funding for the Vehicle License Fraud Program for 2007-09 was funded by the General Fund, but was not funded in the 2009-11 biennial budget.

Summary of Second Substitute Bill:

The fine of \$529 and the amount of the taxes and fees for the first and all subsequent offenses for the licensing of a vehicle in another state by a resident of this state to evade the payment of any tax or license fee imposed in connection with registration is deposited into the Vehicle Licensing Fraud Account.

The bill establishes a fiscal year appropriation of \$75,000 to the DOR or as much thereof as may be necessary and the sum of \$250,000 is appropriated to the WSP per fiscal year, or as much thereof as may be necessary, from the Vehicle Licensing Fraud Account for the purposes of vehicle license fraud enforcement and collections by the WSP and the DOR.

On July 1 of odd numbered years, the State Treasurer must transfer any cash balance in excess of \$650,000 from the Vehicle License Fraud Account to the State General Fund.

EFFECT OF SENATE AMENDMENT(S):

Language is clarified that fines are subject to additional statutory assessments and that they are in addition to delinquent taxes and fees owed.

Failure to make initial registration

- Failure to make initial registration before operation on the highways of this state is a traffic infraction and must pay a fine of five hundred and twenty nine dollars and be deposited into the Vehicle Licensing Fraud Account.
- The person must pay the delinquent taxes and fees which will be deposited and distributed in the same manner as if the taxes and fees were paid in a timely fashion.

Licensing of a vehicle in another state to evade the taxes and fees

First Offense:

- Gross misdemeanor
- Up to one year in county jail;
- A fine of five hundred and twenty nine dollars to be deposited into the Vehicle License Fraud Account.
- A fine of one thousand dollars to be deposited into the Vehicle License Fraud Account.
- The person must pay the delinquent taxes and fees which will be deposited and distributed in the same manner as if the taxes and fees were paid in a timely fashion.

Licensing of a vehicle in another state to evade the taxes and fees

Second Offense:

- Gross misdemeanor
- Up to one year in county jail.
- A fine of five hundred and twenty nine dollars to be deposited into the Vehicle License Fraud Account.
- A fine of five thousand dollars to be deposited into the Vehicle License Fraud Account.
- The person must pay the delinquent taxes and fees which will be deposited and distributed in the same manner as if the taxes and fees were paid in a timely fashion.

Removes the language that on July 1st of odd numbered years, the State Treasurer must transfer any cash balance in excess of \$650,000 from the Vehicle License Fraud Account to the State General Fund.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect on July 1, 2010.

Staff Summary of Public Testimony (Transportation):

(In support) There has been a long history of Washington residents licensing vehicles in bordering states to evade Washington's vehicle licensing fees and the associated sales and use tax. In the 2007-09 biennium there was funding provided for a Vehicle License Fraud Program in southwest Washington to work on this issue. The program had funding for two WSP officers and one DOR auditor. Ten to 12 volunteers worked with the WSP and the DOR staff to identify and verify residents that were not properly licensing and paying the sales and use tax on their vehicles. In the 2009-11 biennium the two WSP officers were not funded and the program was discontinued. During the period in which the program was funded, it was found that the program was collecting more money than what it was costing. About 40 to 45 percent of the residents contacted the first time complied by properly registering their vehicles and paid the appropriate licensing fees and sales and use tax. Hundreds of leads come in on a regular basis for the program to review and investigate. Presently there are over 100,000 vehicles in the program's data base. This bill will re-establish the Vehicle License Fraud Program for the state.

(Opposed) None.

Staff Summary of Public Testimony (General Government Appropriations):

(In support) The License Fraud Account revenues are a result of penalties collected after a case has been processed through the courts. There are also revenues generated through compliance activities. As part of the license fraud enforcement activities, residents are contacted either verbally or by a postcard regarding registration of their vehicle. The licensing fees subsequently collected are deposited into the Motor Vehicle Account.

(Opposed) None.

Persons Testifying (Transportation): Representative Moeller, prime sponsor; Derek Goudrian, Department of Licensing; Debra Gunderson; Phyllis Silliman; Ralph Peabody; Bertha Peabody; and Frank Arnold.

Persons Testifying (General Government Appropriations): Jason Berry, Washington State Patrol.

Persons Signed In To Testify But Not Testifying (Transportation): None.

Persons Signed In To Testify But Not Testifying (General Government Appropriations):
None.