

- SUBJECT:** Exemption from proof-of-insurance rules for dealers registering motor vehicles
- COMMITTEE:** Transportation — favorable, without amendment
- VOTE:** 7 ayes — Alexander, Edwards, Hamric, Hawley, Hill, Noriega, Uher  
0 nays  
2 absent — Siebert, Y. Davis
- WITNESSES:** For — Gene Fondren, Texas Automobile Dealers Association; Ken Riley, Texas Independent Auto Dealers Association  
Against — None
- BACKGROUND:** Section 502.153 of the Transportation Code requires the owner of a motor vehicle or a person who represents the owner to submit proof of financial responsibility, such as liability insurance, to register the vehicle with a county tax assessor-collector.  
  
Section 501.0234 requires motor vehicle dealers to apply, in the name of the purchaser, for registration and a certificate of title for each vehicle sold, file the necessary documents to transfer title and register the vehicle, and remit any required motor vehicle sales tax. The section does not apply to vehicles sold for salvage or demolition or other circumstances in which the vehicle would no longer be driven.
- DIGEST:** HB 1707 would exempt motor vehicle dealers under sec. 501.0234 from the requirement to submit proof of financial responsibility when registering a motor vehicle.  
  
This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house.
- SUPPORTERS SAY:** The requirement that automobile dealers provide proof of financial responsibility or vehicle insurance is an unnecessary barrier to efficient vehicle registration. It is customary for many car dealers to sell used cars to

buyers who do not have such proof on them at the time of the transaction. First-time buyers may need time to arrange for new insurance policies. The dealer may not be able to obtain proof from the buyer in a timely manner, or even may receive a statement from the buyer that is fraudulent or incorrect. The dealer faces a fine of 20 percent of the sales tax on the vehicle if the dealers fails to complete the registration application within 21 days.

There is no specific requirement that proof of insurance or financial responsibility be demonstrated to transfer the title of a vehicle. But procedures adopted by the Texas Department of Transportation have linked the title transfer process to the completion of an application for registration. If the registration application is not complete, the title will not be transferred to the buyer, and the title information will not be updated in the assessor's files. This could all be held up until proof of insurance is provided.

HB 1707 would streamline the registration process for automobile dealers who sell used cars. It would save dealers time and money and would improve timely compliance with registration and title transfer procedures. The bill would help county tax assessor's offices receive motor vehicle sales taxes more promptly. The bill also would lead to better accuracy in county records of vehicle titles.

It should be the responsibility of the vehicle purchaser, and not the dealer, to comply with the law state law requiring proof of insurance. Dealers should not be asked to act as enforcers.

The bill would not affect transactions between individuals. It would not alter the requirement for dealers to maintain insurance for vehicles in their inventory that they have not yet sold. The bill should not affect new car sales since dealers have an incentive to be very careful about looking into the financial responsibility of new car buyers.

**OPPONENTS  
SAY:**

HB 1707 could lead to an increase the number of automobile buyers who do not carry liability insurance. Dealers now have an incentive to obtain proof of insurance from car buyers to insure proper transfer of title and to avoid fines. Without this incentive, more buyers may decide not to carry insurance in spite of the legal requirements to do so.

Uninsured drivers on Texas roads drive up insurance rates for other drivers. Yet HB 1707 would remove an important checkpoint for ensuring proper insurance for all drivers.

If dealers are worried about receiving fines for not having obtained proof of insurance or financial responsibility from buyers, then they should not consider selling cars to buyers without insurance in the first place. This would be a more effective solution to the problem than allowing dealers to avoid the proof of insurance requirement for vehicle registration.

The vast majority of dealers are diligent about obtaining proof of insurance from buyers. This bill would benefit only the small minority of dealers who are not interested in making sure that their customers are insured.

OTHER  
OPPONENTS  
SAY:

The requirement for proof of insurance is only one of many unnecessary barriers in the registration process affecting dealers. These requirements may be worthy as they apply to the general public, but they constitute an undue burden for car dealers. The bill should streamline the vehicle registration process further by removing other unnecessary barriers that place dealers in the position of policing their customers, such as the child support lien that is placed upon the vehicle if a buyer is behind in payments and the lien placed on vehicles of persons owing overdue restitution for violations of the law.