

BILL ANALYSIS

Senate Research Center
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C.S.S.B. 2240
By: West
Transportation
4/16/2019
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Under current Texas law, a vehicle may be sold to a metal recycler, salvage vehicle dealer, or used automotive parts recycler for parts or scrap, only if the seller has a title, regardless of the age or condition of the vehicle. In reality, the owners of many older vehicles, which may only have a value for parts or scrap; may have either lost the title, or have never obtained a properly reassigned title.

Legitimate metal recyclers, salvage vehicle dealers, or used automotive parts recyclers turn away non-titled vehicles every day. Many current owners will not spend the time and money to obtain a duplicate title. Others, if they are not the most recently titled owner, will obtain a title in their name (even more difficult and costly), and will then sell the car for its scrap value.

What tends to happen is that untitled vehicles end up being sold to unlicensed or unscrupulous facilities, and the vehicles "disappear." They may leave the state, or be scrapped beyond recognition, with no reporting to the State, or to the required federal database, the National Motor Vehicle Title Information System (NMVTIS).

The result is that there are literally hundreds of thousands of vehicles that no longer exist, but their titles remain active within TxDMV's database, and the Vehicle Identification Number (VIN) remains valid and may be used to conceal the identity of a stolen vehicle ("VIN Cloning").

Many states have recognized this problem and have codified a mechanism that allows for untitled vehicles to be sold only to certain, limited, licensed entities, and then only for scrap or parts—so that their titles are deactivated and the VINs rendered useless.

S.B. 2240 would only apply to the sale for salvage of older vehicles, and then only with extensive recordkeeping and reporting requirements placed on licensed purchasers.

S.B. 2240 would create state law regarding procedures to be followed by metal recyclers, auto salvage dealers, auto parts recyclers and salvage vehicle sellers. It would apply when an automobile is presented to sell for salvage or for parts at a recycling entity and the seller is not in possession of a title for the vehicle. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 2240 amends current law relating to an exception to the titling requirement for certain vehicles and creates a criminal offense.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter E, Chapter 501, Transportation Code, by adding Section 501.098, as follows:

Sec. 501.098. EXCEPTION TO TITLE REQUIREMENT FOR CERTAIN VEHICLES.

(a) Authorizes a metal recycler or used automotive parts recycler, notwithstanding any other law, to purchase a motor vehicle without obtaining a title to the vehicle if:

(1) the vehicle is at least 12 years old and is purchased solely for parts, dismantling, or scrap and:

(A) the vehicle is not subject to a recorded security interest or lien;
or

(B) the vehicle is subject only to a recorded security interests or liens for which a release of each recorded security interest or lien on the vehicle is provided or that were recorded on the certificate of title more than four years before the date of purchase under this section;

(2) the recycler does not dismantle, crush, or shred the vehicle before the second business day after the date of purchase; and

(3) except as provided by Subsection (k), the recycler or dealer complies with Subsections (b) and (c).

(b) Requires a metal recycler or used automotive parts recycler who purchases a motor vehicle under this section to obtain certain information.

(c) Requires a metal recycler or used automotive parts recycler who purchases a motor vehicle under this section to submit to the Texas Department of Motor Vehicles (TxDMV), in the manner prescribed by TxDMV, and the National Motor Vehicle Title Information System information necessary to satisfy any applicable requirement for reporting information to the National Motor Vehicle Title Information System in accordance with rules adopted under 28 C.F.R. Section 25.56 not later than 24 hours, not counting weekends or official state holidays, after the close of business on the day the vehicle was received. Authorizes TxDMV to report information received under this subsection to the National Motor Vehicle Title Information System on behalf of the recycler or dealer. Provides that a recycler is not required to report information to the National Motor Vehicle Title Information System if TxDMV reports the information on behalf of the recycler under this subsection.

(d) Requires TxDMV, not later than 48 hours after receiving information from a recycler under Subsection (c) about a motor vehicle, to notify the recycler whether the vehicle has been reported stolen.

(e) Requires a recycler, if TxDMV notifies the recycler under Subsection (d) that a motor vehicle has been reported stolen, to notify the appropriate local law enforcement agency of the current location of the vehicle and provide to the agency identifying information of the person who sold the vehicle.

(f) Requires TxDMV, on receipt of information under Subsection (c) regarding a motor vehicle purchased under this section, to add a notation to the motor vehicle record indicating that the vehicle has been dismantled, scrapped, or destroyed and cancel the title of the vehicle.

(g) Provides that a person who purchases a motor vehicle under this section that is later determined by TxDMV or another governmental entity to have been reported stolen is not criminally or civilly liable unless the person had knowledge that the vehicle was a stolen vehicle or failed to comply with the requirements of Subsection (b) or (c).

(h) Requires a court to order a person who sells a motor vehicle under this section to make restitution, including attorney's fees, to the owner or lienholder of the vehicle, or to a metal recycler, or used automotive parts recycler, for any damage or loss caused by an offense committed by the seller related to the vehicle.

(i) Requires the records required to be maintained under this section to be open to inspection by a representative of TxDMV or a law enforcement officer during reasonable business hours.

(j) Authorizes a contract with a United States Department of Justice approved third-party data consolidator, pursuant to 28 C.F.R. Part 25, to be used to satisfy the responsibilities of TxDMV under this section and the reporting responsibilities of a recycler under Subsection (c).

(k) Authorizes a metal recycler to purchase from a used automotive parts recycler a vehicle under this section without complying with Subsections (b) and (c) if certain conditions are met.

(l) Provides that this section preempts all requirements that are inconsistent with specific provisions of this section relating to the purchase and dismantling, crushing, or shredding of a motor vehicle without obtaining the title to the vehicle.

SECTION 2. Amends Section 501.109, Transportation Code, by adding Subsections (c-1) and (i) and amending Subsections (d) and (e), as follows:

(c-1) Provides that a person commits an offense if the person knowingly:

- (1) fails to submit information required under Section 501.098(c);
- (2) falsifies the information required under Section 501.098(b);
- (3) falsifies the statement required under Section 501.098(b)(8);
- (4) sells a vehicle under Section 501.098 that is the subject of a security interest or lien other than a security interest or lien described by Section 501.098(a)(1)(B);
or
- (5) otherwise violates Section 501.098.

(d) Provides that, except as provided by Subsection (e), an offense under certain subsections, including Subsection (c-1), is a Class C misdemeanor.

(e) Provides that if it is shown on the trial of an offense under certain subsections, including Subsection (c-1), that the defendant has been previously convicted of:

- (1) one offense under certain subsections, including Subsection (c-1), the offense is a Class B misdemeanor; or
- (2) two or more offenses under certain subsections, including Subsection (c-1), the offense is a state jail felony.

(i) Authorizes money generated from penalties collected for offenses under Subsection (c-1) to be used only for enforcement, investigation, prosecution, and training activities related to motor vehicle related offenses.

SECTION 3. Effective date: September 1, 2019.