

OKLAHOMA TAX COMMISSION

**REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT
FIRST REGULAR SESSION, FIFTY-EIGHTH OKLAHOMA LEGISLATURE**

DATE OF IMPACT STATEMENT: April 27, 2021

BILL NUMBER: SB 998

STATUS AND DATE OF BILL: Engrossed House Amendments to Engrossed Senate Bill [4/22/2021]

AUTHORS: House Osburn Senate Standridge

TAX TYPE (S): Motor Vehicle **SUBJECT:** Other

PROPOSAL: New and Amendatory

The measure proposes to require the Oklahoma Tax Commission (“OTC”) on or before July 1, 2022, to implement a program to permit electronic filing, storage and delivery of motor vehicle certificates of title and associated liens. [Detailed description attached].

EFFECTIVE DATE: November 1, 2021

REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 22: None

FY 23: None

ADMINISTRATIVE IMPACT:

Insert the estimated cost or savings to the Tax Commission due to this proposed legislation.

FY 22: \$850,000 estimated OTC administrative costs

April 27, 2021
DATE

Rick Miller
DIVISION DIRECTOR

bjs

4/27/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

4/28/21
DATE

JDS
FOR THE COMMISSION

The revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.

Attachment to Revenue Impact – SB 998 – [HASB] – Prepared 04/27/2021

Section 1 proposes to create a new Section 1105A in Title 47 which requires the OTC, on or before July 1, 2022, to implement a program which will permit the electronic filing, storage and delivery of motor vehicle certificates of title and allow a lienholder to perfect, assign and release a lien on a motor vehicle in lieu of submission and maintenance of paper documents as otherwise provided in Section 1101 et seq. of Title 47 of the Oklahoma Statutes. It directs OTC to enter into a competitive contract with a qualified third-party service provider (System Developer), subject to the provisions of The Oklahoma Central Purchasing Act¹, to provide necessary hardware, software and services facilitating the interconnection between motor license agents and electronic title service providers described in subsection B of this section for a certificate of title and for filing or releasing a lien pursuant to the procedures prescribed by the OTC. The provisions of this Section shall apply to applications for certificates of titles and liens filed after June 30, 2022. The Tax Commission is directed to promulgate rules to implement the provisions of this Section.

It further provides that the electronic lien title program authorized in subsection (A) shall include but not be limited to, procedures:

- For the delivery of certificate of title, on a paper document or in an electronic format, to the secured party having the primary perfected security interest in a vehicle in lieu of delivery to the record owner, notwithstanding the provisions of 47 O.S. §§ 1101 et seq. Provided, when electronic transmission of liens and lien satisfactions is used, a certificate of title need not be issued or printed until the last lien is satisfied and a clear certificate of title is issued to the vehicle owner upon request;
- Establishing qualifications for third-party electronic title service providers offering electronic lien services. The vendor selected in subsection A of this section shall not be considered an electronic title service provider and shall not operate of own an electronic title service provider;
- Establishing reasonable fees, if necessary, to be charged by service providers or contractors for the establishment, maintenance and operation of the electronic lien title program;
- Providing access to the electronic certification of title records including liens on record, for licensed motor vehicle dealers and lienholders who participate in the program notwithstanding the provisions of 47 O.S. §1109;
- Allowing motor license agents to participate in the electronic lien title program. Participating motor license agents shall receive all fees provided by the Oklahoma Vehicle License and Registration Act unless otherwise provided in 47 O.S. § 1132A; and
- For the acceptance and use of electronic or digital signatures.

For purposes of this section and Section 1101 et seq. of Title 47 of the Oklahoma Statutes the terms “Deliver or delivery”,² Electronic format”³ and “Possess” or “Possession”⁴ are defined. It also states that any documents created, stored or delivered under the electronic lien title system shall be considered valid including any signatures which are generated electronically or contained on a scanned copy. It provides that a certified copy of the OTC’s electronic record of a motor vehicle certificate of title or lien is admissible in any civil, criminal or administrative proceeding in Oklahoma as evidence of the existence and contents of the certificate of title or lien.

Further, the OTC is authorized to expend funds necessary for the implementation of the program provided in the measure from available monies in the Oklahoma Tax Commission and Office of Management and Enterprise Services Joint Computer Enhancement Fund created pursuant to 68

¹ 74 O.S. §§ 85.1 et seq.

² “**Deliver**” means, with respect to a certificate of title or lien, either the physical delivery of a paper document or the electronic delivery of a document in an electronic format;

³ “**Electronic format**” means an electronic or digital format or medium of any document, record or other information and

⁴ “**Possess**” or “**Possession**” means, with respect to a certificate of title or lien, to hold or otherwise exercise control over a document which is in either a physical or electronic format.

O.S. § 265. It additionally provides that in the development of the electronic lien and titling program authorized by this measure, the OTC shall consult interested parties including, but not limited to, representatives of the Oklahoma Automobile Dealers Association, Oklahoma Bankers Association, Oklahoma Credit Union Association and Oklahoma Tag Agent Coalition.

REVENUE IMPACT

There is no impact to state revenues anticipated to occur as a result of this measure.

ADMINISTRATIVE COSTS

Outlined below is a detailed description of development/modification and update to the various motor vehicle systems/services required to implement SB 998 along with the additional administrative costs associated therewith.

- Creation/development of a new system of record for the electronic titles which includes new customer and account types, and provides lienholders the ability to correct, assign and release a lien in addition to providing system access to motor license agents (“MLAs”) and other pertinent entities.
- Additional development, and substantial modification and updates to current systems/services will also be required for the following:
 - Financials, including new fees and apportionment rules
 - Processing and handling of payments for lienholders and any non-MLA accounts
 - Dependent on rules established, should recurrent fees be applied to lien holders, MLAs or other entities and automatic payments applied.
 - New electronic title types would need to be developed, and existing workflow would need to be modified to enable this functionality. To implement this process, it would likely require contracting with a new vendor and building an interface with our current system.
 - OkCARS (e-services) relating to new logon functionality for lien holders, dealers and other entities to allow access to the system. A registration process to allow the referenced entities to create and use an account would need to be defined and then developed within the system and functionality created to handle any bulk uploading of files for entities that deal with high volumes/transactions to ensure system performance is not affected.
- Further, new interfaces would be built/established for vendors to communicate with the system through files and/or web services. Vendors or institutions would be able to submit records to the system and receive processing confirmation, error handling or lien information in response. This process would take multiple developers to implement and require substantial testing by Commission employees and any lien holders or vendors who would need to interface with the system to utilize this process.

The implementation of the above-described functions, development and updates would take several months and multiple developers due to the necessary changes to several areas within the motor vehicle system as well as e-Services, resulting in an upfront administrative cost of \$850,000. Depending on the vendor for eTitling, there is also an unknown potential for an on-going administrative cost.