

OKLAHOMA TAX COMMISSION

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

DATE OF IMPACT STATEMENT: February 22, 2021 [REVISED]

BILL NUMBER: SB 998 **STATUS AND DATE OF BILL:** Introduced 01/21/2021

AUTHORS: House n/a Senate Standridge

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

PROPOSAL: New and Amendatory

The measure proposes to require the Oklahoma Tax Commission 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

Feb. 22, 2021
DATE

Pick Miller
DIVISION DIRECTOR

bjs

2/22/2021
DATE

Huan Gong
HUAN GONG, ECONOMIST

2/22/21
DATE

[Signature]
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.

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 of Title 47. It directs OTC to designate a vendor, subject to the provisions of The Oklahoma Central Purchasing Act, to provide necessary hardware, software and services to motor license agents who shall provide an electronic filing, storage and delivery system to be used by all applicants 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 only apply to applications for certificates of titles and liens filed on or after June 30, 2022.

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

- 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. 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 service providers offering electronic lien services;
- 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; and
- Acceptance and use of electronic or digital signatures.

It additionally defines the terms “Deliver”,¹ “Electronic format”² and “Possess” or “Possession”.³ It also states that any documents created, stored or delivered under the electronic system shall be considered valid including any signatures which are generated electronically or contained on a scanned copy. It provides that a written or printed report of a transaction or recording related to vehicles in an electronic format, if certified as true and correct by the OTC shall serve as evidence of any signature acknowledgment, or information which was provided to or by the OTC through electronic means, and the certification thereof shall be admissible in any legal proceeding as evidence of the facts stated therein. It mandates that the OTC promulgate rules to implement the provisions of this section.

REVENUE IMPACT

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

¹ “**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;

² “**Electronic format**” means an electronic or digital format or medium of any document, record or other information and

³ “**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.

ADMINISTRATIVE COSTS AND CONCERNS

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.

A definition of “possess” or “possession” is provided in the measure but the term is not otherwise found therein. Therefore, it is not evident as to what and/or when it applies in the process. Regarding the phrase “shall serve as evidence of any signature acknowledgment” in subsection (D), it is unclear whether the OTC will acknowledge signatures that are received or will verification of signatures be required. Further, the proposed language in paragraph (1) of subsection (B) appears to change Oklahoma from an owner title-holder state to a lienholder title-holder state. In light of that change, clarification may be needed regarding the treatment of title transfers where the lien stays on the vehicle. Specifically, would the new owner receive the title or would it remain with the initial lienholder?