

## **Proposed Changes to Kansas Antique Vehicle Title Procedures**

Current laws in the State of Kansas allow for an antique vehicle(35 years old & older) to be titled by using a Bill of Sale to show transfer of ownership and a VIN inspection to confirm the vehicle has not been stolen. This process has worked well and is a necessary due to the fact that many times the paperwork on these old vehicles can be lost to time. The problem with this procedure is that anyone in the state is allowed to follow this procedure to obtain titles without having to actually tag and register the vehicle. What this has created is an excessive amount of “Illegal Antique Vehicle Dealers”. The way this law is written, it is allowing individuals to repeatedly obtain clean, clear Kansas titles for vehicles, and re-sell them on the open market without having to obtain a Dealers license. This has led to thousands of vehicles being sold without any of these vehicles registered, tagged, or taxed. They are also being re-sold with no trace of any sales reports or income reported.

Even though this process does have to move through two different areas of State government, the process is not being monitored by these entities. The required VIN inspection must be completed by the Kansas Highway Patrol. The paperwork then must be processed through the County Treasurers office. In most cases, but not all, neither one of these entities are questioning these illegal dealers as they repeatedly title antique vehicles month after month. This does create an extra work load for both KHP and County Treasurers offices. This is being done at almost no financial benefit to the state for the extra work load(there is a small fee, but considering the amount of time it takes for a Trooper to physically come do the inspection and the work load of most Treasurers offices face on a daily basis, the monetary gain is actually more of a loss).

The following list is a quick breakdown on the affect that this law is currently having on the state:

- Thousands of un-reported vehicle sales every year.
- Thousands of untagged, unregistered, and untaxed vehicles being held as inventory by illegal dealers. Without a Kansas Dealers License, these vehicles CANNOT be considered inventory, all of these vehicles should be considered Personal Property and taxed as such. There a well over a hundred vehicles in Barton County alone that would fall into this category.
- Extra work load for OSI – Dealer Licensing. With only 5 OSI agents assigned to Dealer Licensing for 105 Counties, there is no way they can keep up with all of these issues. OSI is very aware of these situations, but they are spread to thin to investigate them all. They are fully aware most of these individuals are operating

- illegally, but there is no way they can get to all of them with their busy schedules.
- Extra work for the Kansas Highway Patrol. Currently VIN inspections on Antique vehicle are only allowed to be completed by KHP. This leads to KHP spending their valuable time catering to illegal dealers that need VIN inspections completed so the vehicles can be put up for sale.
  - This also leads to extra work for County Treasures Offices. Overworked Treasures offices are wasting time processing titles for these illegal dealers as normal people trying to buy their tags and legal dealers that need legitimate title work processed wait.
  - Many of these illegal dealers have acquired fairly decent sized inventories with dozens, and in certain cases, hundreds of vehicles. In many instances, these individuals do purchase vehicles that have titles. With no dealers license, they cannot transfer the title without registering the vehicle. Since they are illegally in the business of selling vehicles, these vehicles are typically being sold on “open” titles without ever being registered. This way illegal dealers can buy and sell without ever having to register and tag a vehicle completely avoiding any state fees and taxes. Sometimes these vehicles are being sold multiple times on an open title, never being registered on any of the transactions.
  - In the event that an illegal dealer purchases a vehicle and the seller completes the “Buyer” portion of the title with the illegal dealers name as they should, there is another trick illegal dealers will use. They will just ask for a “Bill of Sale” to go along with the title. The illegal dealer will then throw the original title away, claim they did not get a title for the vehicle, and file for a new title with the Bill of Sale to avoid having to register and tag the vehicle.

Overall, the current situation has led to an excessive amount of abuse of the system. The abuse of this system has turned into an excessive amount of extra work for KHP and County Treasures Offices. These State agencies are doing a lot of extra work at essentially no financial gain to the state just so that illegal dealers can reap the profits by not having to tag and pay taxes on these vehicles.

How do we know and prove what is happening? All of these individuals advertise on-line. A few quick searches of E-bay, Craigslist, Nex-Tech Classifieds, Facebook, etc. quickly and easily turns up dozens of these illegal dealers all across the state. A quick look at vehicles marked “sold” or a few quick e-mails can easily turn up multiple examples of “sold” vehicles.

How is this affecting legal, licensed Dealers in the State of Kansas?

This current state of affairs completely discredits the current Kansas Dealer System. There is absolutely no point in being a licensed dealer in Kansas. Until this

current situation is brought under control, anyone can instantly become and antique vehicle dealer in Kansas with no licenses, no insurance, no bonds, no reporting, and not having to report or pay any taxes while doing it.

- Licensed Dealers are being forced to compete against illegal dealers to obtain inventory.
- Licensed Dealers are competing against illegal dealers for customers. Illegal dealers can sell at lower prices and maintain profit margins when they are not required to carry insurance, and be bonded and licensed.
- Licensed Dealers are required to complete sales reports on all vehicle sales as well as collect sales tax on in state sales. This all requires extra work and time that an illegal dealer is not required to do and none of those transactions are reported to the state.

## **Possible Solutions**

The concept of allowing antique vehicles to be titled in this manor does work and it is a process that is needed. In many instances, the titles to these vehicles have been lost to time. This process allows for them to be re-titled to be restored, put back in use, and put back on the tax rolls. Revisions to this law would lessen the work load for the state agencies that are involved and make all transactions completely traceable. These revisions would insure that all vehicles NOT held in dealer inventories are legally registered and proper tags and taxes paid.

\*Make the process Dealer only. By only allowing Licensed Dealers to obtain an antique title with a Bill of Sale, this insures that any of these vehicles that are being held in inventory, are being held by licensed Dealers. Also, if there were ever a question about a vehicle that the Department of Revenue issued a title for, OSI would know exactly which Dealer obtained the title and they would know exactly where to go and who they would need to talk to. Currently, there is no way that OSI has time to chase every lead on this current situation.

\*Allow the local County Sheriffs Office to complete VIN inspections for antique vehicles. Sheriffs Offices already do VIN inspections for Out of State Titles and for corrections, most offices could dedicate an officer capable of handling antiques as well. This would take some of the load off of KHP and allow for faster processing of title work for legal dealers. With the internet and online search engines, it is fairly easy to obtain the information needed to complete a

VIN inspection on an antique vehicle. Questions about VIN locations and other questions on a specific antique vehicle can easily be obtained by the inspecting officer with minimal research in today's world.

\*Another possible option would be to require insurance with the Bill of Sale for non dealers and require them to tag the vehicle at the time the Bill of Sale is presented to the County Treasurers office for a title.

A quick re-cap of how this could benefit the State:

Less work load for KHP

Less work load for County Treasures Offices

Less work load for OSI- Dealer Licensing

More accountability and traceability for all vehicle sales

Proper tax reporting and collection on vehicle sales

Protection of consumers from buying from un-licensed dealers

Protection for Licensed Dealers to remain competitive

Thousands of vehicles properly taxed as "Personal Property" that are not being held in actual, legitimate "Dealer Inventory"

As stated earlier, there is a need for the process to obtain a title for an antique vehicle on a Bill of Sale. The procedure the State currently uses does work well, but as with all things that work, individuals will find loop holes and exploit the system. This is what has happened in this situation. It is costing the State time and money and making it difficult for legal, licensed Dealers to compete.