The Bureau of Automotive Regulation

Dealer Newsletter

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Candice S. Miller, Secretary of State

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Repeat Offender touch-tone system now available

The Department of State has introduced a new, convenient alternative for dealers to access the registration denial database. By telephoning **(phone number no longer available)** dealers can now access the registration status inquiry system by touch-tone telephone.

The web-based system allows dealers and others to learn if a vehicle purchaser is subject to registration denial under Michigan's "Repeat Offender" law (MCL 257.219). This law prohibits the Department of State from registering any vehicle that is owned, co-owned, leased, or co-leased by certain repeat offenders. (See pg. 4 for more information on registration denial and its impact on dealers.)

There are two types of inquiries that are available when calling the touch-tone system. Users will be prompted to enter either a driver license number (DLN) containing one letter, followed by 12 numbers; or a personal identification (PID) number containing one letter followed by 10 numbers. The system will guide users on how to use the telephone keypad to enter the corresponding letter and digits for the DLN or PID.

The registration status inquiry touch-tone system uses new technology that searches the same web-based registration denial database that is accessible on the Department of State's Internet web site at **www.sos.state.mi.us/repeat.html**

Dealers may sign RD-108s for leased vehicles

A number of dealers have asked about the practice of dealers signing RD-108s on behalf of the lessor or lessee for new vehicles being titled in the name of the leasing company.

The department recognizes the close relationship between a manufacturer's franchised dealer and the manufacturer's leasing company (e.g., a GM dealer titling vehicles in the name of GMAC/VAULT, which is GM's leasing operation).

The dealer may sign the RD-108 on behalf of the leasing company if the dealer maintains a power of attorney form in the dealership. The Secretary of State branch office does not require a copy of the power of attorney to be submitted with each RD-108.

The dealer cannot sign the new vehicle's odometer statement as both the seller and as the agent for the new owner (lessor). The lessor may designate the lessee to sign and to receive odometer disclosure on their behalf. Dealers need to be sure an odometer statement is completed for each transaction.

Police Book entries organize stock numbers

The Police Book, whether electronic or hardbound, is the dealer's primary record keeping document. Used vehicle dealers and some new vehicle dealers use the Police Book to track inventory and sales. When a dealer buys a new or used vehicle for resale, certain information must be entered in the Police Book.

The Bureau of Automotive Regulation requires the Police Book to be kept in a systematic and organized manner on computer or in a hardbound volume. When inspections are conducted, a law enforcement officer or BAR investigator should be able to readily find vehicles in the Police Book by their stock numbers without having to search for VIN numbers.

The purchase, stock, or inventory number assigned by the dealer is used to identify a particular vehicle. Stock numbers could be used to identify when a vehicle was purchased and the model year of the vehicle. In the first example below, the first four digits of the stock number represent the month and year of the vehicle purchased and the last four digits are a unique identifying number for a vehicle. We recommend sequential numbers as a logical method of identification.

Purchase Date	Year/Make/Model	Stock Number
01/07/01	1998 Ford Taurus	0101-0001
02/13/01	1997 Chevy Silverado	0201-0002
02/21/01	1999 Geo Prizm	0201-0003
03/04/01	2000 Chevy Tracker	0301-0004

In the example below, the stock number is used to identify the model year of the vehicle. The first two digits represent the model year of the vehicle; the next two digits represent the year of purchase. Again, the last four digits are a sequential identifying number for a vehicle.

Purchase Date	Year/Make/Model	Stock Number
01/07/01	1998 Ford Taurus	9801-0001
02/13/01	1997 Chevy Silverado	9701-0002
02/21/01	1999 Geo Prizm	9901-0003
03/04/01	2000 Chevy Tracker	0001-0004

Any questions regarding the organization of the Police Book should be directed to the Dealer Program Section at (517) 373-9082.

Correcting errors on RD-108 requires signed TR-34

A common question arising from processing vehicle transaction paperwork is how to properly correct mistakes by the buyer or seller on the RD-108 or title assignment.

The party committing an error on the RD-108 or title assignment must complete and sign a TR-34 form, *Certification*, explaining the error. A single line should be drawn through the incorrect information with a fine tipped pen. Do not use white-out or correction tape or erase any information.

Please note one limitation: the TR-34 form by itself may not be used for correcting mistakes on odometer statements. In such cases, a corrected odometer statement would be required and must be accompanied by a TR-34 form explaining the error.

Changes to dealer training take effect

Recent attendees at dealer training classes may have noticed some changes in the training session. Russell Smith, who formerly facilitated the training, was promoted to Dealer Program Section Supervisor. Succeeding Mr. Smith is Dianna Bennett, who has taken over as Dealer Trainer and will be facilitating future dealer training sessions.

In addition to a reduction in the number of classes being offered, the class format has been changed. All classes will now follow the combined format which includes: Record Keeping Requirements, RD-108, Titles and Registrations, Plate Fee Calculations, Dealer Manual, and Repeat Offender Laws. The classes run from 8:30 a.m. to 3:30 p.m. and are offered twice a month at various locations throughout the state.

Dealers are encouraged to attend training and may come to as many classes as they wish. The Bureau of Automotive Regulation makes every effort to keep information current so dealers are provided with the most up-to-date information available.

Dealers may go to: **www.sos.state.mi.us/bar/dealer/dtrng/dtrng.html** to view the current dealer training schedule. Dealers also were mailed a copy of the current schedule.

For further information or to register, visit our web site or call (517) 373-9070.

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Newly revised Dealer Manual due this fall

The Bureau of Automotive Regulation has received frequent inquiries as to when an updated Dealer Manual will be available. After an extensive review, BAR is pleased to announce that it expects the new edition to be in dealers' hands later this year.

Although the current manual was intended to be updated periodically by mailing revised pages or sections to dealers, an unprecedented number of legislative changes since 1997 warranted a comprehensive revision of the manual.

After the new manual is distributed, it is intended that dealers will receive revised sections by mail as changes occur, and that dealers will replace only the pages or sections affected. It is BAR's goal to keep dealers' resources as current as possible, and this represents one more effort toward that goal.

The revised Dealer Manual will be mailed to all licensed dealers (and others) as soon as it is "off the press." Additional copies can be obtained—either in printed format or on computer diskette—by contacting the Dealer Program Section at (517) 373-9082.

The Dealer Manual can also be accessed online at:
www.sos.state.mi.us/bar/dealer/dmanual.html

Lost titles and surety bond procedures

Lost vehicle titles may be replaced under one of two self-certification procedures, depending on the age and value of the vehicle. In instances where self-certification procedures cannot be used, the Michigan Vehicle Code requires dealers to present a surety bond to obtain a title in the dealership name. A surety bond is required when:

1. The lost title was originally issued by a state other than Michigan (i.e., "foreign title").
2. The lost title is for a vehicle which may not be registered for highway use (e.g., watercraft, ORV, etc.).
3. The dealer is unable to provide sufficient proof of ownership under BAR's lost title procedures.

A surety bond acts like an insurance policy, indemnifying the Department of State against other claims of ownership. It may be purchased from an insurance company or a bonding agency. The forms required to employ this process are as follows:

- A completed form RD-108 for a resale title (in the name of the dealership)
- A completed form TR-205, *Ownership Certification*
- A completed form TR-54, *Vehicle Number and On-Road Equipment Inspection*
- A completed form TR-121, *Surety Bond and Agent's Authority*

The TR-205, TR-54, and TR-121 forms are available from any Secretary of State branch office.

The Michigan Vehicle Code states that the bond coverage period must be three years and that the face amount of the bond must be twice the value of the vehicle "as determined by the Michigan Department of State."

Secretary of State branch office staff and BAR staff sometimes receive calls from dealers asking to have the value of the vehicle determined for the surety bond. As a general rule, the Department of State will accept the bonding company's determination of the vehicle's value. **However, the department reserves the right to determine the face amount of the bond if it is deemed to be insufficient under Section 257.217 of the Michigan Vehicle Code.**

If you have questions about the lost title process, contact the Dealer Program Section by e-mail at dealer@sos.state.mi.us or by telephone at (517) 373-9082.

Secretary of State enhancing branch office services, developing new technology for dealers

The Department of State continues to enhance its branch office services by incorporating exclusive areas for dealer transactions.

As part of the *Branch Office 2001* project, the Department of State is acquiring and testing new technology that can provide dealers the ability to process RD-108 forms online.

The rollout schedule for this new technology may include a pilot program in selected vehicle dealerships beginning in early 2002.

The Bureau of Automotive Regulation is also converting to a new business licensing software program called *License 2000*. Once the conversion is complete later this year, BAR will begin offering multi-year business licenses to auto dealers for 2003.

Out-of-state purchaser recommendations

In June 2000, the Registration Denial portion of the Repeat Offender legislation went into effect, and Michigan dealers were instructed to record all *Michigan* driver license (or personal identification card) numbers on the RD-108. The dealer is not required to record out-of-state driver license information.

When presented an out-of-state driver license, it is advisable, however, to attempt to determine whether the person also has—or ever has had—a Michigan driver license. This may help dealers to avoid problems with processing the transaction if the customer is subject to registration denial in Michigan, but legally licensed to drive in another state.

The registration status inquiry web site and touch-tone system accessible to Michigan dealers can only search for *Michigan* driver license or PID numbers. Since out-of-state driver licenses cannot be confirmed in this way, BAR again advises dealers to have all customers sign the Registration Eligibility Declaration Form. While this is not a *required* form, BAR advises dealers to keep a signed copy of this form in the dealer records.

In the event of contractual or other problems resulting from a sale to a registration-denied customer, the dealer can present this form as proof the customer represented to the dealer their eligibility to register the vehicle.

Dealers may access BAR's web site at: **www.sos.state.mi.us/bar/pdf/forms/eligibility.pdf** to obtain an online copy of the form.

Know your customer: Tax-exemption status

Sometimes customers may claim tax-exempt status when purchasing a vehicle in an attempt to avoid paying Michigan sales tax. As a general rule, charitable organizations are not exempt from state sales tax in vehicle transactions. The Michigan Department of Treasury determines eligibility for sales tax exemption and issues a Letter of Determination (Form C3136) to qualified organizations. Dealers should be cautious when customers offer a tax-exempt number without the proper documentation.

A variety of customers may attempt to claim tax exemption, including (but not limited to) the following:

- Unlicensed dealers
- Native American tribes
- Businesses
- Religious organizations
- Fraternal groups
- Charitable organizations

The Department of Treasury routinely performs tax audits. A dealer failing to collect sales tax due will be required to pay the tax out of dealership resources. Tax auditors may also issue violations or penalties.

Dealers can protect themselves from paying back taxes owed for sales of vehicles by knowing their customers and verifying if they are truly qualified for tax exemption. BAR suggests asking customers who are claiming tax-exempt status for a copy of their Letter of Determination from the Department of Treasury.

If further clarification is needed, you may contact the Sales, Use and Withholding Taxes Division of the Michigan Department of Treasury at (517) 373-3190.

Title deletions possible when wrong VIN is submitted

There are instances when the wrong VIN is typed on the RD-108 or the wrong Manufacturers Certificate of Origin (MCO) is inadvertently sent with an RD-108 to the Secretary of State branch office to be processed. When this happens, a title record is generated for the wrong vehicle, which is actually a new vehicle still in the dealer's inventory. This creates a problem when the mistake is discovered because the vehicle is now titled, and is therefore considered a *used* vehicle, which significantly reduces its retail value.

BAR has developed a procedure for situations like this, where the title record may be deleted, depending on the circumstances of the case. This would allow the dealer to sell the vehicle as new. To use this procedure, dealers should consult Section 3-20 of the Dealer Manual and follow the directions carefully.

Dealers have been advised in a previous newsletter that the Department of State cannot delete a record or cancel a title if the dealer submits the correct MCO with the RD-108 and the deal is later rescinded. This holds true even if the vehicle was not delivered or the dealer believes the purchaser made a misrepresentation. Such requests will be declined by the Department of State.

Dealers should also note the workload involved in responding to the large number of ineligible requests increases the time required to obtain a legitimate title deletion.

Native American tribes tax exemption clarified

In the Summer 1999 edition of the Dealer Newsletter, dealers were informed that the Michigan Department of Treasury was reviewing its policy regarding the sales tax treatment of Native American Indian tribes and their members, and that sales to tribes or tribal members were no longer tax exempt. Since that time, the Department of Treasury has further defined the policy, as follows:

Under the new policy, vehicle sales to individual Native Americans are *subject to sales tax without exception*. Sales of vehicles to tribal governments, however, may be tax exempt, depending on how the vehicle is used by the tribal government.

Tribal governments desiring tax exemption must write a letter to the Department of Treasury describing the proposed use of the vehicle. Information about the sale must be given, including:

- A description of the vehicle being purchased (including the VIN);
- The Secretary of State branch office location used to process the transaction;
- The name and address of the selling dealer.

The policy also specifies the sale must take place within Indian country (as defined by the U.S. Government) in order to qualify for exemption.

Based on the information in the letter, the Department of Treasury will determine whether the tribal government's use pre-empts state sales tax under Federal law. If so, the dealer and the Secretary of State branch office will be contacted by Treasury. If the dealer does not receive a letter from the Department of Treasury declaring the sale to be tax exempt, sales tax is due on the vehicle.

It is important that dealers do not accept exemption certificates from Native American Indian tribes unless accompanied by a letter from the Department of Treasury which declares the specific transaction exempt. Any sales tax due that was not properly collected will be the dealer's responsibility.

Document review may reveal dealer violations

Dealers know that the Bureau of Automotive Regulation investigates complaints filed against licensees. If, after investigation, it is determined the dealer violated the Michigan Vehicle Code, a notice of noncompliance will be issued to the dealer.

However, a complaint by a purchaser is not the only way to initiate a BAR investigation. BAR may also open an investigation if information is received suggesting a licensee is not in compliance with the Michigan Vehicle Code.

One source utilized by BAR is the documents submitted by dealers. RD-108 transaction paperwork and title documents are routinely reviewed by BAR after being microfilmed. Frequently, evidence in the paperwork is sufficient to prove violations of the Code. When this occurs, the investigator may issue a notice of noncompliance.

All dealers should carefully review the transaction referenced in the notice and take steps to insure future compliance with the Michigan Vehicle Code. Failure to comply with the Code can result in suspension or revocation of the dealer license.

RD-108 now temporary registration for plate transfers

The information for the temporary vehicle registration when transferring a license plate has been incorporated into the RD-108, and the separate BFS-8 form has been eliminated. It is important for dealers to understand how to accurately complete the temporary registration information.

When transferring a purchaser's license plate to the new vehicle, the information about the old vehicle and the registration must be properly entered on the RD-108. This allows the purchaser to drive the new vehicle with the transferred plate.

The required information includes the year, make, and VIN of the old vehicle. Also required is the registration plate number and the expiration date of the temporary registration.

The expiration date of the temporary registration is 15 days from the date of delivery, not the expiration date of the license plate. The transferred plate is only valid for 15 days, even if the dealer fails to have the transaction processed at a Secretary of State branch office.

The copy of the RD-108 provided to the purchaser at the time of signing serves as the temporary registration certificate for the 15-day period a dealer has to apply for the customer's certificate of title.

If the dealer fails to apply for title and registration for the purchaser within 15 days, the registration expires and the plate is no longer valid. The purchaser may be ticketed and the vehicle impounded if it is driven with an expired registration.

Printed base price booklets limited

The Department of State will only print a limited number of base price booklets annually in an effort to reduce costs associated with printing. Since dealers will no longer be permitted to obtain multiple copies, they may need to employ alternative methods for obtaining vehicle base price information for their dealership.

Dealers are permitted to use photocopiers to make additional copies, as needed. Additionally, dealers may obtain electronic charts of all vehicle base prices (1984 to 2001) online at: **www.sos.state.mi.us/bar/dealer/msrp.html**

Dealers may also retrieve 2000 and 2001 base prices from the National Auto Dealers Association web site at: **www.nadaguides.com**

MV-17 reassignment form no longer accepted

Dealers were informed in the Winter 2000 issue of the Dealer Newsletter—available on the Internet at **www.sos.state.mi.us/bar/dealer/newsletters/dn_0101.pdf**—that the MV-17 dealer reassignment form was being eliminated and would not be available after January 1, 2001. Many dealers, however, have a remaining stock of MV-17 forms which they continue to use to reassign titles.

According to the National Highway Traffic Safety Administration, all Michigan titles issued after November 1, 1989, meet national standards for conforming titles. All states have issued conforming titles since 1994. Since the MV-17 is only for use in reassigning *non-conforming titles or certificates of origin*, the need for MV-17 forms is significantly reduced.

This fact, combined with ongoing concern about improper use of the form, has prompted the Department of State to establish October 1, 2001, as the date branch offices will no longer accept the MV-17 reassignment form. **This will include any MV-17 forms still in the dealer's inventory, and any copies already in circulation.**

After September 30, MV-17 reassignment forms may no longer be used for any title reassignment, including nonconforming titles or out-of-state titles. Titles with all reassignment spaces filled must be submitted for a resale title.

Additionally, Secretary of State branch offices will be instructed to no longer process any RD-108s accompanied by an MV-17 for title assignments after October 15. This will allow dealers who have transferred ownership of a vehicle using an MV-17 *before* the deadline to process the transaction within the 15 days required by law. This only applies to RD-108s in which the sale and delivery date precede October 1, 2001.

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Bureau of Automotive Regulation
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