

PROPOSAL OF REVISIONS TO

SUBCHAPTER B. MOTOR VEHICLE, SALVAGE VEHICLE, AND TRAILER INDUSTRY ENFORCEMENT

43 TAC §224.58

INTRODUCTION. The Texas Department of Motor Vehicles (department) proposes to amend 43 Texas Administrative Code (TAC) Subchapter B, Motor Vehicle, Salvage Vehicle, and Trailer Industry Enforcement, §224.58, concerning denial of access to the license plate system. These amendments are necessary to implement Senate Bill (SB) 1902, 89th Legislature, Regular Session (2025), which became effective July 1, 2025. In SB 1902, Section 3, the legislature directed the department to adopt implementing rules by October 1, 2025. Transportation Code, §503.0633(f), as amended by SB 1902, allows the department to deny access to the license plate database if a dealer has been denied access to the temporary tag database under former Transportation Code, §503.0632(f).

EXPLANATION.

As the department transitioned from paper temporary tags to metal license plates on July 1, 2025, in accordance with House Bill 718, 88th Legislature, Regular Session, the temporary tag database has been replaced with the license plate database. Under Transportation Code 503.0633(f), as amended by SB 1902, the department may deny a dealer access to the license plate system if the department determines that the dealer has acted fraudulently. A proposed amendment to §224.58(b) would add denial of access to the temporary tag system as a basis for the department to deny a dealer access to the license plate system. These amendments implement SB 1902, which added this basis as one the department could consider in denying access to the license plate database under Transportation Code, §503.0633(f). The proposed amendment would allow the department to deny access to the license plate system if the dealer had been denied access to temporary tag database prior to July 1, 2025, after providing the dealer with notice.

1 **FISCAL NOTE AND LOCAL EMPLOYMENT IMPACT STATEMENT.** Glenna Bowman, Chief Financial Officer, has
2 determined that for each year of the first five years the amendment will be in effect, there will be no fiscal impact
3 to state or local governments as a result of the enforcement or administration of the proposal. Corrie Thompson,
4 Director of the Enforcement Division, has determined that there will be no measurable effect on local employment
5 or the local economy as a result of the proposal.

6 **PUBLIC BENEFIT AND COST NOTE.** Glenna Bowman, Chief Financial Officer, has determined that for each year of
7 the first five years the amendment will be in effect, there will be no fiscal impact to state or local governments as
8 a result of the enforcement or administration of the proposal. Corrie Thompson, Director of the Enforcement
9 Division, has determined that there will be no measurable effect on local employment or the local economy as a
10 result of the proposal.

11 **PUBLIC BENEFIT AND COST NOTE.** Ms. Thompson has also determined that, for each year of the first five years
12 the amendment is in effect, public benefits include limiting the criminal activity of a small subset of dealers who
13 fraudulently obtain and sell license plates to persons seeking to engage in violent criminal activity, including armed
14 robbery, human trafficking, and assaults on law enforcement, or to persons seeking to criminally operate
15 uninsured and uninspected vehicles as a hazard to Texas motorists and the environment.

16 Anticipated Costs to Comply with the Proposal. Ms. Thompson anticipates that there will be no costs to
17 comply with this proposed rule as the proposed rule only applies when a dealer's actions indicate fraud.

18 **ECONOMIC IMPACT STATEMENT AND REGULATORY FLEXIBILITY ANALYSIS.** As required by Government Code,
19 §2006.002, the department has determined that the proposed amendment will not have an adverse economic
20 effect on small businesses or micro-businesses because the rule does not change the underlying statutory policy—
21 that the department may deny a dealer the ability to issue vehicle registration credentials if the dealer has
22 committed fraud. This fraud prevention tool first applied to temporary tags and will now apply to license plates
23 obtained or issued by a dealer. The amendment will also not have an adverse impact on rural communities

1 because rural communities are not required to hold a general distinguishing number. The proposed amendment
2 does not require small businesses or micro-businesses to pay a fee or incur any new costs to comply with this
3 amendment, as any costs will be the same as those under the existing rule regarding temporary tags. Therefore,
4 the department is not required to prepare a regulatory flexibility analysis under Government Code, §2006.002.

5 **TAKINGS IMPACT ASSESSMENT.** The department has determined that no private real property interests are
6 affected by this proposal and that this proposal does not restrict or limit an owner's right to property that would
7 otherwise exist in the absence of government action and, therefore, does not constitute a taking or require a
8 takings impact assessment under the Government Code, §2007.043.

9 **GOVERNMENT GROWTH IMPACT STATEMENT.** The department has determined that each year of the first five
10 years the proposed amendment is in effect, no government program would be created or eliminated.
11 Implementation of the proposed amendment would not require the creation of new employee positions or
12 elimination of existing employee positions. Implementation would not require an increase or decrease in future
13 legislative appropriations to the department or an increase or decrease of fees paid to the department. The
14 proposed amendment does not create a new regulation and does not expand, limit, or repeal an existing
15 regulation. Lastly, the proposed amendment does not increase the number of individuals subject to the rule's
16 applicability and will not affect this state's economy.

17 **REQUEST FOR PUBLIC COMMENT.** If you want to comment on the proposal, submit your written comments by
18 5:00 p.m. CDT on August 25, 2025. A request for a public hearing must be sent separately from your written
19 comments. Send written comments or hearing requests by email to rules@txdmv.gov or by mail to Office of
20 General Counsel, Texas Department of Motor Vehicles, 4000 Jackson Avenue, Austin, Texas 78731. If a hearing is
21 held, the department will consider written comments and public testimony presented at the hearing.

STATUTORY AUTHORITY. In addition to the rulemaking authority provided in Section 34 of HB 718, the department proposes amendments to §224.58 under Transportation Code, §§503.002, 503.0631, and 1002.001. Transportation Code, §503.002 authorizes the department to adopt rules to administer Transportation Code Chapter 503. Transportation Code, §503.0631(e) authorizes the department to adopt rules and prescribe procedures as necessary to implement §503.0631. Transportation Code, §1002.001 authorizes the board to adopt rules that are necessary and appropriate to implement the powers and the duties of the department.

The department also proposes amendments under Occupations Code, §2301.151, which gives the board authority to regulate the distribution, sale, and lease of motor vehicles and the authority to take any action that is necessary or convenient to exercise that authority; Occupations Code, §2301.152, which authorizes the board to establish the qualifications of license holders, ensure that the distribution, sale, and lease of motor vehicles is conducted as required by statute and board rules, to prevent fraud, unfair practices, discrimination, impositions, and other abuses in connection with the distribution and sale of motor vehicles, and to enforce and administer Occupations Code, Chapter 2301 and Transportation Code, Chapter 503; Occupations Code, §2301.155, which authorizes the board to adopt rules as necessary or convenient to administer Occupations Code, Chapter 2301 and to govern practice and procedure before the board; and Government Code, §2001.004 requires state agencies to adopt rules of practice stating the nature and requirements of all available formal and informal procedures.

CROSS REFERENCE TO STATUTE. These proposed revisions implement Government Code, Chapter 2001; Occupations Code, Chapter 2301; and Transportation Code, Chapters 501-504, and 1002.

SUBCHAPTER B. MOTOR VEHICLE, SALVAGE VEHICLE, AND TRAILER INDUSTRY ENFORCEMENT

43 TAC §224.58

Text.

§224.58. Denial of Dealer Access to License Plate System.

(a) In this section "fraudulently obtained license plates from the license plate system" means misuse by a dealer account user of the license plate system authorized under Transportation Code, §503.063, §503.0631, or §503.065 to obtain or issue:

(1) an excessive number of license plates relative to dealer sales;

(2) a license plate for a vehicle or vehicles not in the dealer's inventory (a vehicle is presumed not to be in the dealer's inventory if the vehicle is not listed in the relevant monthly Vehicle Inventory Tax Statement);

(3) access to the license plate system for a fictitious user or person using a false identity;

(4) a license plate for a vehicle or a motor vehicle when a dealer is no longer operating at a licensed location;

(5) a license plate for a vehicle or a motor vehicle not located at the dealer's licensed location or storage lot; or

(6) a license plate for a vehicle or motor vehicle that is not titled or permitted by law to be operated on a public highway.

(b) The department shall deny a dealer access to the license plate system effective on the date the department sends notice electronically and by certified mail to the dealer that the department has determined, directly or through an account user, that the dealer has fraudulently obtained or issued a license plate in the license plate system or has been denied access to the temporary tag database. A dealer may seek a negotiated resolution with the department by demonstrating the dealer took corrective action or that the department's determination was incorrect.

1 (c) Notice shall be sent to the dealer's last known mailing address and last known email address in
2 the department-designated licensing system.

3 (d) A dealer may request a hearing on the denial of access to the license plate system, as provided by
4 Subchapter O, Chapter 2301, Occupations Code. The request must be in writing and the dealer must request
5 a hearing under this section. The department must receive the written request for a hearing within 26 days
6 of the date of the notice denying access to the license plate system. The request for a hearing does not stay
7 the denial of access under subsection (b) of this section. A dealer may continue to seek a negotiated
8 resolution with the department after a request for hearing has been submitted under this subsection by
9 demonstrating the dealer took corrective action or that the department's determination was incorrect.

10 (e) The department may also issue a Notice of Department Decision stating administrative violations
11 as provided in §224.56 of this title (relating to Notice of Department Decision) concurrently with the notice
12 of denial of access under this section. A Notice of Department Decision may include notice of any violation,
13 including a violation listed under subsection (a) of this section.

14 (f) A department determination and action denying access to the license plate system becomes final
15 if the dealer does not request a hearing or enter into a settlement agreement with the department within 26
16 days of the date of the notice denying access to the license plate system.