



## Accounts Receivable Management Division Business Profile Vehicle Registration Collections

### Background

Each year, the Department of Motor Vehicles (DMV) sends an estimated 26 million vehicle registration notices to Californians. Of these accounts, approximately 1.3 million become delinquent with an estimated value of \$318 million. In an effort to pursue debtors, the California Legislature transferred the responsibility for collecting delinquent vehicle registration fees to the Franchise Tax Board (FTB) in 1993 with the enactment of California Revenue and Taxation Code (R&TC) Section 10878.

DMV primarily assists customers in obtaining or renewing driver licenses and the licensing of vehicles. They also oversee the annual registration of vehicles in the state. When a fee becomes delinquent, DMV lacks the administrative authority to take involuntary administrative collection actions. Rather, they must file actions against debtors in small claims court. Once the judgment is received, DMV staff can request and then exercise a writ of execution against available assets.

Our Vehicle Registration Collection program is funded through the Motor Vehicle Account, State Transportation Fund and the Motor Vehicle License Fee Account, Transportation Tax Fund.

### Collection Process

DMV sends an annual renewal notice to the last known registered owner of a vehicle 60 days prior to the registration expiration date. If the owner fails to pay the renewal amount by the expiration date, DMV sends one additional notice advising the owner (now referred to as a debtor) that the account will be referred to the Franchise Tax Board (FTB) for collection action if the debt is not paid.

Once FTB accepts a case for collection, a Demand for Payment notice is mailed to the debtor's last known address. If the debtor does not resolve the debt within 10 days, FTB then pursues monetary assets identified by the automated collection system. In this effort, FTB searches through income records, including wage information on all California employees and interest and dividend information on all California accounts. Once assets are located, FTB may take the following collection actions:

- Issue an Order to Withhold on bank accounts such as checking, savings, IRA, and Keogh.
- Issue an Earnings Withholding Order to an employer.
- Issue a Continuous Order to Withhold to a miscellaneous payor for commissions, rents, and royalties.
- Seize both real and personal property, including vacant land, cash, safe deposit boxes, and vehicles.

When a levy attaches to a bank account, the debtor has 10 days to pay his debt, or the bank forwards the funds to FTB. When a levy attaches wages, the debtor also has at least 15 days to pay voluntarily before the employer begins withholding up to 25 percent of the debtor's disposable income. In all cases, FTB chooses the best collection remedy and may return a case or rescind action on a case at any time until an issue is settled.

As DMV's collection agent, FTB forwards all monies collected to them. DMV then makes disbursements to various state and county agencies. In fiscal year 2014-2015, FTB handled approximately 1.3 million cases for DMV and collected over \$134 million in revenue.

## Case Management and Workload Impacts

FTB's collection efforts can have a significant impact on DMV's current workload. Depending on the number of demand notices or levies issued in a given week, the workload in DMV field offices can increase considerably, due to debtors visiting field offices to resolve their cases or make payments. DMV effectively manages this increased workload.

Throughout the collection process, DMV retains management responsibility for all accounts assigned to FTB. All disputes or complaints about aspects of a case are referred to DMV's Liaison Section, or to the debtor's local DMV field office for resolution. While FTB chooses the best collection remedy for each account, either FTB or DMV can stay or stop action on an account at any time.

<b>2014-2015 FISCAL YEAR COLLECTION TOTALS</b>			
<b>CASE INVENTORY</b>		<b>COLLECTION ACTIVITY</b>	
Beginning Inventory	845,188	Demand Notices	987,701
Accepted Cases	755,424	Installment Agreements	215,158
Closed Cases	706,900	Bank Levies	129,327
Ending Inventory	893,712	Wage Levies	3,726
		Total Collection Activities	1,335,912
		<b>Total Collected</b>	<b>\$133,823,459</b>