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A Summary of Truck Registration in Texas

In the past decade the population of Texas, as well as traffic volumes within Texas, have steadily increased. Registration of both passenger cars and light trucks has also increased to reflect the growing population. However, during the same period, registrations of heavy trucks and trailers have either remained the same or decreased. One reason for this disparity may be “jurisdiction shopping” by owners of heavy trucks and trailers.

“Jurisdiction shopping” occurs when a company attempts to benefit from easier registration policies and procedures or lower taxes and fees by headquartering businesses or registering vehicles in other states or jurisdictions. There are other fees/taxes that fleet owners may be attempting to avoid. Other jurisdictions may also make it easier to register fleets, through permanent license plate and online registration. In many of these situations, the owners are not moving their headquarters operations. In other words, the vehicles are still based in Texas but are registered in another jurisdiction. In other situations, owners move their headquarters to other jurisdictions. The end result for Texas in both situations is lost revenue.



Diversity of Interstate Trucking Operations Underscores the Need for Efficient and Flexible State Registration Programs.

What We Did...

This research focused on methods of registration and types of fees, registration dollars, and taxes levied on heavy trucks by various states. Information was also gathered about the procedures for registration used by other states. Once this information was collected, Texas truck registration requirements and procedures were compared to those of other states. The research team then identified potential methods for increasing truck registration revenue. The research study team:

- conducted a state-of-the-practice review of registration and licensing procedures;

- reviewed recent legislation, legal issues, and court cases regarding licensing and registration;
- developed a profile of industry views;
- conducted case studies and an in-depth analysis of specific selected states’ procedures and laws regarding registration, taxing, and licensing procedures for the selected states; and
- created a comparison document based on the analysis.

After a final analysis of all information gathered, the research team and the Texas Department of Transportation (TxDOT) selected Texas,



Alabama, California, Illinois, Indiana, Nebraska, North Carolina, Oklahoma, Oregon, and Tennessee for case studies. The team also selected Maine as a special case study for trailer registrations only because of the large number of trailers registered in the state. [Figure 1](#) depicts the geographic representation of case study states.

What We Found...

Fraudulent jurisdiction shopping occurs when an owner operator or carrier exploits lax enforcement of International Registration Plan (IRP) regulations to obtain a cheaper registration. Legitimate jurisdiction shopping occurs when motor carriers with bona fide established places of business in multiple jurisdictions have the option of selecting where to register their fleets. This decision may have little to do with where the carrier's operations are focused.

The justification for legal base plate shopping lies primarily in the disparity among non-apportioned fees and taxes that some jurisdictions assess on motor carriers. These expenses may include registration-related taxes such as ad valorem taxes, surcharges, accessorial fees, and incidental charges that are levied on top of the apportioned registration fee. Non-apportioned fees deter registrations because only carriers that base plate in a jurisdiction, not those traveling through it, incur them. Differing levels of customer service and registration convenience also influence a carrier's decision of where to base plate, but these issues are generally secondary considerations that figure more prominently in a jurisdiction's success in retaining carriers as opposed to attracting them.

The financial stakes involved in a carrier's base plate decision highlight the importance of jurisdiction shopping issues for both industry

and the public sector. A trucking firm saving thousands of dollars per vehicle rationalizes the choice of where to register as a business decision, one that the business is entitled to under the provisions of the IRP. Certain states, counties, and municipalities, on the other hand, stand to lose a significant amount of revenue as a result of the shift in heavy truck registrations to more attractive locations. Jurisdictions with uncompetitive motor carrier fee structures are most vulnerable to this threat. In many cases they have already lost registrants to low-fee jurisdictions and face possible further weakening of their registration bases in the absence of change.

Texas IRP Program Administration

Texas is at the forefront of administering the IRP program as it was originally intended. The percentage of fleet audits conducted by Texas, 21 percent as compared to most other states at 2–4 percent, is exemplary. Texas is very stringent with respect to the annual vehicle safety inspections required for interstate carriers. Many states allow carriers to conduct in-house inspections, as long as a qualified mechanic does them. Texas, on the other hand, requires inspections by an independent mechanic. Although this may burden the carrier, it most likely pays safety dividends in the long run and in reality provides the carrier with a quality control check for its maintenance operation.

Texas is also more stringent than most states in that it requires IRP registrants to provide proof of insurance, single-state registration, and payment of the heavy vehicle use tax before an apportioned registration is processed. Texas has enforced the established place of business regulations as well as first-

year mileage estimates in a fair and meticulous manner.

IRP Registration Administration in Other States

The diversity of interstate trucking operations in the United States underscores the need for efficient and flexible state IRP programs. Many jurisdictions do not offer registration options that apportioned motor carriers seek. Although walk-in registrations are processed in all states, online registrations and renewals and first-time registrations by mail are not widely available. For interstate trucking firms in jurisdictions with only a handful of processing locations, the lack of electronic or mail-in registration options translates into increased down time and additional administrative costs. These disadvantages are exacerbated by service limitations in other areas. For example, more than a dozen states do not offer the staggered IRP registration schedules that are preferred by industry.

Credit card payment of registration fees is restricted or unavailable in many jurisdictions. Alabama, Indiana, Oregon, Oklahoma, and Maine accept partial or full credit card payment for registration fees. Texas does not currently accept credit card payment, and in some cases cash payment is restricted. Interestingly enough, Texas does allow credit card payment for driver license renewal, sales tax payment, and property tax payment.

Florida and Alabama still require their IRP carriers to re-plate power units each year with newly numbered tags, regardless of the condition of existing plates. Frequent, mandatory license plate renewals and the aforementioned service deficiencies increase carrier costs, complicate fleet management, and discourage registration in certain jurisdictions.



Customer Service

Customer service is an intangible that is created by communications and interaction between a service provider (e.g., TxDOT) and the customer (e.g., carriers). Effective customer service goes a long way in both the public and private sectors to create positive interaction between the two parties and to give the customer a satisfactory experience. Communications and outreach seem to be the most effective means of creating positive customer feedback. Initiatives that have been employed by other jurisdictions include newsletters, online newsletters, advisory workshops, conferences, videos, and publicity campaigns.

The Researchers Recommend...

Texas incorporates a 10 percent diesel vehicle emissions reduction surcharge into its annual apportioned registration fee. This approach to fee apportionment is favored by industry and the public sector because it prorates charges according to in-state mileage and does not complicate registration fee payment or revenue transmittal with separate line items. This approach should be considered for other fees and taxes. By apportioning ad valorem taxes and other registration-related fees, states create a more competitive registration environment for interstate trucking firms. This philosophy is consistent with growing jurisdictional efforts to accommodate carriers and enhance IRP administration through the implementation of user-friendly and cost-effective registration systems.

Innovative registration solutions enhance carrier operations, lower IRP agency costs, and increase productivity through the reduction in manual processing and paperwork exchange. By modernizing and

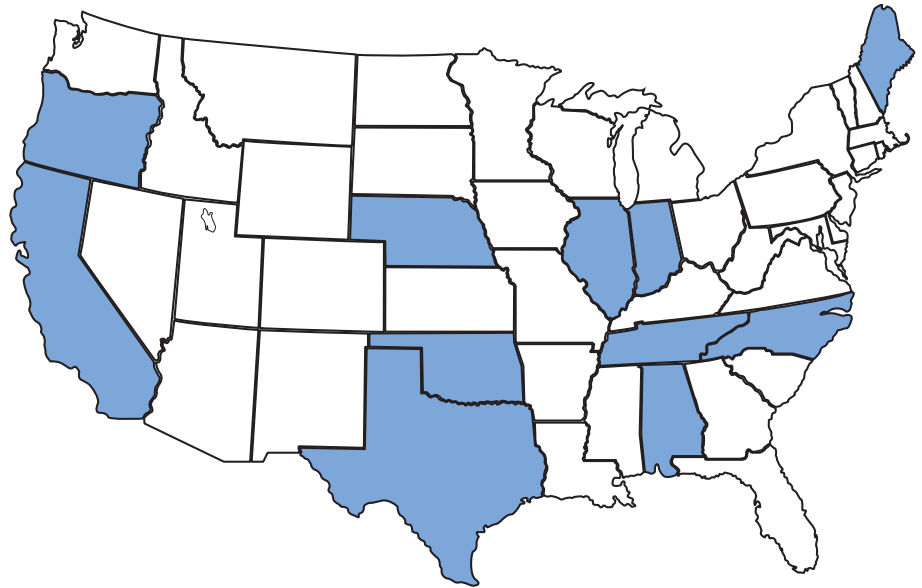


Figure 1. Case Study States.

consolidating state IRP, International Fuel Tax Agreement (IFTA), and Single State Registration System (SSRS) programs and addressing the needs of the carrier community, costs could be lowered and the registration process streamlined. Carriers want a one-stop shop that is streamlined for quicker service. Texas should also explore credit card payment in conjunction with online or first-time mail-in registration to create an atmosphere of customer service and ease of registration for the carriers.

Texas should reconsider how plates, especially trailer plates, are issued. Frequent plate issuance for both power units and trailers imposes added administrative costs and burdens for carriers. This inconvenience increases with the size of the carrier. By moving to permanent plates that need to be replaced only when they become illegible, Texas can save money for both the state and the carrier.

Texas should consider requiring new registrations to verify previous registration history. Although Texas is not currently a participant in the Performance and Registration Information System Management (PRISM), the implementation of

Commercial Vehicle Information Systems and Networks (CVISN) will enable IRP processing personnel to check vehicle identification number (VIN) and United States Department of Transportation (USDOT) numbers. The VIN number check is especially critical because the legal name and USDOT numbers are not permanent identifiers and can be changed. Although carriers with previous registration problems or registration histories that may be questionable should not be rejected outright, processing personnel should have tools to obtain declarations and histories as well as the ability to flag the carrier for subsequent audit.

The research team recommends that Texas evaluate the initiatives undertaken by other jurisdictions that have received positive response from the motor carriers such as published newsletters, online newsletters, participation in workshops and conferences, and videos. Texas should also evaluate current customer service initiatives to better understand what works best for Texas and its customers.



For More Details . . .

Research results, conclusions, and recommendations are documented in Report 0-4065-1, *Heavy Truck Registration in Texas*.

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TxDOT Implementation Status—February 2004

In addition to a comprehensive report, the researchers developed “a detailed comparison of heavy vehicle licensing requirements in jurisdictions other than Texas and policy and procedural recommendations to assist TxDOT in attaining a fair share of registration dollars.” The comparisons and recommendations are currently under review by TxDOT’s Vehicle Titles and Registration (VTR) Division. Any implementation of all or some of the recommendations will be pursued once VTR’s review is complete.

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Disclaimer

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