

## **Motor Vehicle Division Informational Memo # 22-17**

### **2022 Legislation – Department of Revenue Out of State Debt Collection**

**DATE:** June 16, 2022

**FROM:** MVD Policy & Compliance Team

**TO:** All Motor Vehicle Division staff, Iowa County Treasurers and County Treasurer staff

#### **SUBJECT**

This informational memo explains legislation enacted during the 2022 legislative session which allows the Iowa Department of Revenue (DOR) to enter into agreements with other states to collect debt owed to other states.

#### **SUMMARY**

House File 2552, Division XIII provides DOR with the authority to enter into agreements with a department or agency of another state to collect debt owed to that other state. If DOR is collecting debts owed to another state, DOR will send written notification to the customer containing an explanation of the balance owed, the department or agency to which the debt is owed, that the department or agency has entered into an agreement with DOR to collect the debt, and an explanation of how the customer may appeal.

Iowa Code section 321.40 allows DOR to notify the MVD of delinquent debt DOR is collecting for the purposes of initiating a vehicle registration stop. While theoretically this new law would allow DOR to begin including debts owed to other states in the registration stop file sent to MVD, it was indicated to us during the legislative process that the registration stop process will not be used to collect out of state debts unless DOR enters into an agreement with another state that also uses registration stops to collect debt in their own state.

*For the foreseeable future, we do not expect to receive any additional registration stops in the file from DOR due to this legislation.*

**The legislation is effective July 1, 2022.**

#### **LINK TO LEGISLATION**

<https://www.legis.iowa.gov/legislation/BillBook?ga=89&ba=HF2552>

#### **CURRENT**

Currently, DOR only includes a customer in the registration stop file sent to MVD if the person owes delinquent debt to Iowa.

#### **NEW**

As of July 1, 2022, DOR may enter into an agreement with another state to collect delinquent debt owed to that state. However, it has been indicated to us that a customer who owes debt to another state will

not be included in the registration stop file DOR sends to MVD unless DOR has 1) entered into an agreement with that other state; and 2) the other state also utilizes registration stops to collect debt in their state.

### **BUSINESS IMPACT**

This law will not have an immediate impact on the registration stop process in Iowa because DOR has not yet entered into any agreements with a state that utilizes registration stops to collect unpaid debt.

### **QUESTIONS AND ANSWERS**

The following questions and answers provide additional information to you and to customers:

#### **HOW WILL WE KNOW IF DOR ENTERS INTO AN AGREEMENT WITH ANOTHER STATE THAT USES A REGISTRATION STOP PROCESS TO COLLECT DELINQUENT DEBT?**

We have a collegial working relationship with our counterparts at DOR and we will work closely with them to stay apprised of when or if they intend to enter into an agreement with another state that utilizes a registration stop process to collect delinquent debt. If that happens, we will send out additional guidance to staff making them aware that debts owed to other states may begin to be included in the registration stop file sent by DOR.

#### **HOW WILL THIS NEW LAW AFFECT VEHICLE REGISTRATIONS AS OF JULY 1, 2022?**

For the foreseeable future, this law will have no impact on the vehicle registration or registration stop process in Iowa.

#### **IF DOR ENTERS INTO AN AGREEMENT IN THE FUTURE WITH ANOTHER STATE THAT USES A REGISTRATION STOP PROCESS, HOW WILL THAT AFFECT IOWA'S REGISTRATION STOP PROCESS?**

There should be no impact to the current vehicle registration stop process, even if, in the future, DOR begins including debt owed to another state in the file they send to MVD. The registration stop will still be placed on the customer's record pursuant to section 321.40 and the county treasurer will still have the authority to collect the debt on behalf of DOR. If the customer has questions about the debt owed, those questions should continue to be directed to DOR.