

## **Motor Vehicle Division Policy Memo # 20-07**

### ***FIRST-TIME VEHICLE REGISTRATION EXCEEDING 12 MONTHS***

**DATE:** May 29, 2020

**FROM:** Angel Robinson, Director  
Vehicle & Motor Carrier Services Bureau

**TO:** Iowa County Treasurers  
Iowa DOT Vehicle & Motor Carrier Services personnel

**EFFECTIVE DATE:** July 1, 2020

#### **SUBJECT**

This policy memo clarifies first-time registration fees for an individual's vehicle is eligible for a special registration opportunity over 12 months as prescribed by law.

#### **EXPLANATION**

For an individual vehicle owner, Iowa Code 321.1(60) states that the "registration year" starts the first day of the month following the birth month of the owner. If the vehicle is registered after the beginning of the registration year, the annual registration fee is prorated for unexpired months as stated in Iowa Code 321.106(3). Under Iowa Code 321.26(2) a county may adjust a customer's registration period for administrative efficiency, and an adjustment may also result in a prorated fee that is less than 12 months.

For first-time registration of an individual in the eleventh month of their registration year, the vehicle owner has choices regarding how many months of registration they will pay. Under Iowa Code 321.106(3), the vehicle owner may choose to pay the registration fees for only the two final months of the registration year and then renew at the end of that period. Alternatively, the vehicle owner may choose to pay the registration fees for the final two months of the current registration year as well as the next twelve months of the next registration year. Under this alternative, the vehicle owner would pay for a 14-month registration.

Iowa law also allows for special registration fees when an individual registers their vehicle for the first time in what would be the twelfth month of their registration year. Iowa Code 321.106(3) states that "[a] fee shall not be required for the month of the owner's birthday for a vehicle on which there is no delinquency." Therefore, if a vehicle owner registers their vehicle for the first time during his or her birth month, the vehicle owner will only be charged for twelve months of the next registration year but will not pay any registration fees for the remaining single month of the current registration year.

Table 1 below shows how the registration fees will work in practice for an individual vehicle owner. This hypothetical vehicle owner has a birthdate of December 15. The table establishes the first registration date, the first registration expiration date, and the number of months used to prorate the first annual registration fee. Scenarios 11 (option A) and 11 (option B) reflect the option given to customers who have a first registration in the eleventh month of the registration year to either pay two months or fourteen months under Iowa Code 321.106(3). Scenario 12 in the table below shows the unique

scenario the legislature intended when an individual vehicle owner registers for the first time during his or her birth month.

*Table 1: First registration scenarios for December 15 birth date*

Scenario	First reg date	First reg exp	Paid at first reg
1	Jan 10, 2021	Dec 31, 2021	12 months
2	Feb 10, 2021	Dec 31, 2021	11 months
3	Mar 10, 2021	Dec 31, 2021	10 months
4	Apr 10, 2021	Dec 31, 2021	9 months
5	May 10, 2021	Dec 31, 2021	8 months
6	June 10, 2021	Dec 31, 2021	7 months
7	Jul 10, 2021	Dec 31, 2021	6 months
8	Aug 10, 2021	Dec 31, 2021	5 months
9	Sept 10, 2021	Dec 31, 2021	4 months
10	Oct 10, 2021	Dec 31, 2021	3 months
11 (option A)	Nov 10, 2021	Dec 31, 2021	2 months
11 (option B)	Nov 10, 2021	Dec 31, 2022	14 months
12	Dec 10, 2021	Dec 31, 2022	12 months

## QUESTIONS AND ANSWERS

### 1. WHY IS CLARIFICATION BEING PROVIDED?

Differences in applying first-time registration fees have been brought to our attention. This policy memo is seeking to bring all practices into compliance, provide clarification on Iowa laws to our partners, and to ensure that all vehicle owners are paying the appropriate first-time registration fees.

### 2. ARE ELECTRIC VEHICLE FEES INCLUDED IN THE REGISTRATION FEE NOT TO BE CHARGED IN THE BIRTH MONTH?

Yes. Iowa Code 321.116 authorizes the county treasurer to collect a vehicle registration fee for battery electric motor vehicles and plug-in hybrid electric motor vehicles. The legislature has defined “registration fees” as both the annual vehicle registration fee and the fee for new registration. The electric vehicle fees are annual vehicle registration fees. An individual vehicle owner who receives a free month of registration will also receive a free month of the electric vehicle fees, if applicable.

### 3. HOW WILL INDIVIDUAL CUSTOMERS BE IMPACTED BY THIS POLICY?

Providing clarity on Iowa laws will provide our partners with the ability to properly educate our mutual customers accurately and consistently across Iowa. Generally, partial year registration is straight forward. An individual owner paying first-time registration fees in the first through tenth months of the registration year will continue to pay for each unexpired month as identified in Table 1.

An individual owner paying first-time registration fees in the eleventh month will continue to have the option to either pay for two months or fourteen months. In the special circumstance when an individual registers their vehicle for the first time in the same month as their birth

month, they will qualify to receive 13 months of registration while paying for 12 months of registration.

If a vehicle is registered by two or more individuals, the special registration opportunity for 13-month is allowed if all the following conditions apply:

- (1) The vehicle is not being leased;
- (2) The purchase date is in the birth month of one of the individuals; and
- (3) The first registration period is set for thirteen months based on the qualifying individual's birth month.

This clarification only applies to first-time registration fees. It does not impact renewals for individual owners. Under Iowa Code 321.106, the special registration opportunities for 13 month and 14-month registrations only apply when an individual's registration is based on the owner's birth month.

#### **4. HOW WILL BUSINESS OR ORGANIZATION CUSTOMERS BE IMPACTED?**

This policy memo only impacts a first-time registration on a vehicle owned by an individual who registers a vehicle on a birth month basis and has no delinquency. For vehicles owned by corporations, associations, partnerships, companies, or firms, the county treasurer determines the registration year as stated under Iowa Code 321.26(3). Because these vehicles are not registered on a birth month basis, a vehicle registered for the first-time in the twelfth month of registration should be charged 13 months of registration fees.

If a vehicle is registered by both a business and one or more individuals, the free birth month is allowed if all the following conditions apply:

- (1) The vehicle is not being leased;
- (2) The purchase date is in the birth month of one of the individuals; and
- (3) The first registration period is set for thirteen months based on the qualifying individual's birth month.

#### **5. IS A TRUST CONSIDERED AN INDIVIDUAL OR A BUSINESS FOR PURPOSES OF REGISTRATION?**

A trust is considered a business or organization for purposes of registration and its registration should be calculated as discussed in this memo. Iowa Code 321.26(3) distinguishes between "natural person" and "other than natural person." The word "natural person" has a legal meaning. A natural person is a human being who is born versus a legally generated person. Under Iowa Code, "natural person" does not include a trust. A trust would not qualify for the free birth month.

#### **6. HOW WILL LEASING CUSTOMERS BE IMPACTED?**

For a leased vehicle, Iowa Code 321.1(60) states that the registration year starts on the first day of the month following the month in which the lease expires. If the lease registration period yields a 13-month registration for the first lease, then the fee should cover 13 months.

#### **7. HOW WILL DEALERS BE IMPACTED?**

Dealers that submit registration applications on behalf of individual vehicle owners may set the registration period as requested by the customer. The free birth month will automatically be provided if all the proper conditions apply:

- (1) The vehicle is not being leased;
- (2) The purchase date is in the birth month of one of the individuals; and
- (3) The first registration period is set for thirteen months based on the qualifying individual's birth month.

Fee Estimator—a tool available to dealers and customers—will include a new checkbox for the user to indicate that all of the conditions apply to allow a free birth month. However, since Fee Estimator does not include fields for a leased vehicle or for specific customer names, it will not verify in ARTS whether the conditions actually exist to allow the free birth month.

#### **8. HOW WILL COUNTY TREASURER OFFICES BE IMPACTED?**

Under Iowa Code 321.26(2), counties that enter registration applications may set the registration period as requested by the customer(s). Counties have the option, but are not required, to inform a customer if the registration period may be set to grant the free birth month even if the customer has not initially requested that registration period. The free birth month will automatically apply if all the following conditions apply:

- (1) The vehicle is not being leased;
- (2) The purchase date is in the birth month of one of the individuals; and
- (3) The first registration period is set for thirteen months.

ARTS and ERT will be programmed to follow the clarification provided in this memo. We ask that our county partners assist in educating our mutual customers on the limitations to 13-month registrations and only apply a free month of registration in circumstances where there is an individual owner registering a vehicle for the first time during their birth month.

#### **9. HOW WILL THIS IMPACT CREDITS AND REFUNDS?**

Customers continue to be eligible for credit under Iowa Code 321.46 or refund under Iowa Code 321.126 for the portion of the annual registration fee of the vehicle sold, transferred, or junked that has not expired prior to the transfer of the ownership of the vehicle. Under these code sections, credits or refunds issued will reflect the unexpired months remaining calculated from the date of purchase of the vehicle acquired.

Table 2 below demonstrates how a customer would receive a credit or refund based on a vehicle trade-in. A customer with a December birthday who starts a 13-month registration in December 2020 and trades in the vehicle in April will receive a credit for the nine months that are unused (April through December). If the customer paid \$600 for a 13-month registration, the customer paid \$0 for December and \$50 per month for January through the following December. The customer should receive a credit for nine months, or \$450.

Table 2: Refund or credit based on trade-in from customer with December 15 birth date

Scenario	First reg date	Date of Trade-In	Refund or Credit
1	Dec 10, 2020	Dec 15, 2020	12 months
2	Dec 10, 2020	Jan 10, 2021	12 months
3	Dec 10, 2020	Feb 10, 2021	11 months
4	Dec 10, 2020	Mar 10, 2021	10 months
5	Dec 10, 2020	Apr 10, 2021	9 months
6	Dec 10, 2020	May 10, 2021	8 months
7	Dec 10, 2020	June 10, 2021	7 months
8	Dec 10, 2020	July 10, 2021	6 months
9	Dec 10, 2020	Aug 10, 2021	5 months
10	Dec 10, 2020	Sept 10, 2021	4 months
11	Dec 10, 2020	Oct 10, 2021	3 months
12	Dec 10, 2020	Nov 15, 2021	2 months
13	Dec 10, 2020	Dec 15, 2021	1 months

Note that in no scenario will the customer receive 13 months of refund or credit. This is because under Iowa Code 321.109, the free month applies to the the first month of registration for the registered vehicle. If the customer in scenario 1 trades-in the recently purchased vehicle and purchases and registers a different vehicle, the free month does not transfer with the trade-in vehicle. No credit remains on the trade-in vehicle. Instead, the customer would receive the free month on the newly purchased vehicle.

There may be a unique scenario where the customer is eligible for back-to-back 13-month new registrations. If the customer above started a 13-month registration in December 2019, and then trades in the vehicle in December 2020 the customer would be eligible for a credit for December 2020. The customer would also be eligible for another 13-month new registration.

Note that Iowa Code 321.46 and Iowa Code 321.126 continue to apply, and that no credit will issue if the total amount due is less than \$10.

**10. HOW DOES THIS IMPACT ARTS?**

ARTS will be reprogrammed to reflect compliance with the law and this clarifying memo.

**11. HOW DOES THIS IMPACT ERT?**

ERT will be reprogrammed to charge the appropriate fee of 12 months registration in this scenario.

**12. HOW DOES THIS IMPACT FEE ESTIMATOR?**

Fee Estimator—a tool available to dealers and customers—will include a new checkbox for the user to indicate that all of the conditions apply to allow a free birth month. However, since Fee Estimator does not include fields for a leased vehicle or for specific customer names, it will not verify in ARTS whether the conditions actually exist to allow the free birth month.

**13. CAN A CUSTOMER RECEIVE A FREE MONTH OF REGISTRATION WHEN REGISTRATION IS BASED ON ANYTHING OTHER THAN BIRTH MONTH OF AN INDIVIDUAL OWNER?**

No, an individual owner will only be eligible for a free month of registration if the owner's registration is based upon birth month and the vehicle is being registered for the first time in the same month as the owner's real birth month. Owners who select a registration cycle to something other than their birth month will not receive a free month of registration even if they register the vehicle for the first time in the last month of their selected registration year.

**14. HOW DOES THIS IMPACT PAPER TITLE AND REGISTRATION APPLICATIONS VERSUS ERT APPLICATIONS?**

Paper title and registration applications and ERT title and registration transactions will be treated the same.

**15. DO MOTOR TRUCKS, TRUCK TRACTORS, OR ROAD TRACTORS RECEIVE A FREE MONTH OF REGISTRATION?**

Yes, but under a different subsection of this statute. Under Iowa Code 321.106(1), certain motor trucks, truck tractors, and road tractors will not be charged a fee for the month of December for a first-time registration when there is no delinquency.

**16. CAN YOU PROVIDE EXAMPLES OF HOW THIS POLICY WILL WORK IN PRACTICE?**

Yes, included in Appendix A are use cases that the DOT and the counties utilized for testing the updated IT changes. You may reference these cases for particular scenarios.

### APPENDIX A: USE CASES

Case	Purchase Month Same as Birth Month?	An owner is an individual and the vehicle is not being leased	Requested registration is on a birth month basis (13 month)	Calculation Date > 30 days from the Purchase Date or any other penalty fees	Calculated Fees
1	Yes	Yes	Yes	No	Will reflect 12 months of the 13 months of registration requested.
2	Yes	Yes	Yes	Yes	Will reflect the months of registration requested plus a penalty. No free month.
3	Yes	Yes	No	Yes	Will reflect the months of registration requested plus a penalty. No free month.
4	Yes	No	Yes	Yes	Will reflect the months of registration requested plus a penalty. No free month.
5	No	Yes	Yes	Yes	Will reflect the months of registration requested plus a penalty. No free month.

6	Yes	Yes	No	No	Will reflect the months of registration requested. No free month.
7	Yes	No	Yes	No	Will reflect the months of registration requested. No free month.
8	Yes	No	No	Yes	Will reflect the months of registration requested plus a penalty. No free month.
9	No	Yes	No	No	Will reflect the months of registration requested. No free month.
10	Yes	No	No	No	Will reflect the months of registration requested. No free month.
11	No	No	Yes	Yes	Will reflect the months of registration requested plus a penalty. No free month.
12	No	Yes	Yes	No	Will reflect the months of registration requested. No free month.

13	No	Yes	No	Yes	Will reflect the months of registration requested plus a penalty. No free month.
14	No	No	Yes	No	Will reflect the months of registration requested. No free month.
15	No	No	No	Yes	Will reflect the months of registration requested plus a penalty. No free month.
16	No	No	No	No	Will reflect the months of registration requested. No free month.