

SESSION OF 2006

**SUPPLEMENTAL NOTE ON SENATE BILL NO. 558**

As Amended by Senate Committee on  
Transportation

**Brief\***

SB 558, as amended, would require lienholders of motor vehicles to release fully the lien or encumbrance on a motor vehicle after final payment has been received. The bill would:

- Prescribe the manner of release based on two different types of lien or encumbrance payments;
- Set forth the conditions under which the release would be considered fully executed;
- Allow the Division of Vehicles or the owner of the vehicle to file a complaint against a lienholder if the lienholder fails to execute the release in a timely manner;
- Provide that after a hearing under the Kansas Administrative Procedures Act, the Division could assess a civil administrative penalty on lienholders who have a complaint against the lienholder who fails to execute the release in a timely manner;
- For the first violation, impose a penalty between \$100 and \$500; for a second through fourth violations committed within a twelve-month period, impose a penalty between \$500 and \$2,000; and if the lienholder has been cited and penalized five or more times in the preceding 12 months, impose a penalty between \$1,000 and \$5,000;
- Provide that a lienholder who fails to pay the penalty would be liable to the Division for up to three times the amount of the penalty, 10.0 percent interest, and attorney fees; and
- Provide that any penalties and fees collected would be deposited in the Vehicle Dealers and Manufactures Fee Fund.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

## **Background**

Conferees who testified in favor of the bill included representatives of the Kansas Automobile Dealers Association and the Kansas Bankers Association. The conferee representing the Kansas Credit Union, opposed the penalty provisions in the bill.

The Senate Transportation Committee amendments were proposed by the Kansas Bankers Association and the result of Committee discussion.

The fiscal note prepared by the Director of the Budget on the original bill states that the Department of Revenue indicates that the bill would change the role of Title and Registration Bureau concerning vehicle registration. Currently, the Bureau has a "transactional" role to process vehicle titles. This bill would require the Bureau's role to include "regulation" and "prosecution." The regulatory and prosecutorial role currently is held by the title holder. The Department states that SB 558 would have a negligible increase to the revenues of its Dealers and Manufactures Fee Fund. Because the bill would increase penalties, the Division estimates that the lien holders would not be out of compliance as often. However, the Department cannot estimate the increase in revenues. The Department states that any administrative expenditures related to SB 558 would be covered within the agency's current resources. Any fiscal effect associated with the enactment of SB 558 is not accounted for in *The FY 2007 Governor's Budget Report*.