

**Full Performance Evaluation**

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**Division of Motor Vehicles**

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**The Division of Motor Vehicles Should  
Follow West Virginia Code by Taxing  
Vehicle Title Transactions at Present  
Market Value**



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John Sylvia  
Director

August 4, 2003

The Honorable Edwin J. Bowman  
State Senate  
129 West Circle Drive  
Weirton, West Virginia 26062

The Honorable J.D. Beane  
House of Delegates  
Building 1, Room E-213  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Full Performance Evaluation of the *Division of Motor Vehicles*, which will be presented to the Joint Committee on Government Operations on Monday, August 4, 2003. The issue covered herein is "The Division of Motor Vehicles Should Follow West Virginia Code by Taxing Vehicle Title Transactions at Present Market Value."

We transmitted a draft copy of the report to the Division of Motor Vehicles on July 16, 2003. We held an exit conference with the DMV on July 24, 2003. We received the agency response on July 24, 2003.

Let me know if you have any questions.

Sincerely,

Handwritten signature of John Sylvia in cursive script.  
John Sylvia

JS/wsc

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*Joint Committee on Government and Finance*

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# Executive Summary

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## **Issue 1: The Division of Motor Vehicles Should Follow West Virginia Code by Taxing Vehicle Title Transactions at Present Market Value.**

The Legislative Auditor conducted a follow-up audit regarding the Division of Motor Vehicles (DMV) taxation on vehicle title transactions. The previous audit, which was reported in January 2003, recommended that vehicles should be taxed at a minimum value of \$500, mainly because individuals were likely lowering the value of the vehicle to avoid paying higher titling fees. The Legislative Auditor expanded that sample to include all vehicle transactions during one week to determine whether the problem exists throughout the sample population. The sample consisted of all title transactions on vehicles for the week of August 5 - 9, 2002.

The Division provided the Legislative Auditor a listing of each vehicle sold during that week, which consisted of 8,764 vehicle transactions. The Legislative Auditor eliminated net sale transactions, which are vehicle sales that were traded for another vehicle. After eliminating net sales transactions, **the sample population used was 5,092 vehicle transactions.** The sample involved retrieving the Primedia Automobile Red Book value for each transaction and comparing it to the sales price as reported to and taxed by the DMV. The analysis found that 69% of 1981 - 1995 model years had reported sales values less than the Red Book value. The Legislative Auditor concludes that there is a significant problem with the loss of potential revenues.

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*The DMV consulting the Red Book for determination of a minimum value is the best solution.*

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The Legislative Auditor analyzed two different possible solutions to the potential revenue losses due to lowered vehicle values. One solution is to use minimum values that were presented by the Division. The second is to consult the Red Book in every transaction when an individual applies for a vehicle title.

In order to determine the fairness of the Division's recommended minimum values, the Legislative Auditor calculated the average sales price and the average Red Book value from the sample. The average sales price was less than the average Red Book value until 1996 - 1999 model years. For 1994 model years, the sales price on transactions begins to exceed the Red Book value and continues each year thereafter. Upon analyzing the average Red Book values as compared to the DMV recommended minimums, the Legislative Auditor cannot fully support the DMV's recommended minimums. The DMV recommended minimum value for 1981 - 1985 vehicles is \$1,000, but the average vehicle Red Book value according to the Legislative Auditor's sample is only \$842. In addition, the recommended minimum value for model years 1986 - 1990 is \$1,500, while the average Red Book value is only \$1,370. Charging these minimums could cause individuals to pay a higher privilege tax than the Red Book value of the vehicle.

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## Automobile Red Book Assists in Determining Vehicle Value

The Legislative Auditor recommends a possible solution to the DMV, which is to use the Red Book for all title transactions to determine the vehicle values. When presented with a title registration, the DMV would consult the Red Book to determine whether the sales value reported by the customer was **at least** the Red Book value. The Legislative Auditor analyzed this possible solution with the sample by **determining the difference** between all vehicles sold at less than the Red Book value. According to the analysis, the DMV would have generated an **additional \$149,509** for the week of August 5 - 9, 2002 by using this scenario. **This would be a projected \$8,160,711 in additional yearly revenues.** The Legislative Auditor has determined that having DMV employees consult the Red Book for determination of a minimum value in all transactions is the best solution to the agency losing revenues by not collecting the proper privilege tax.

*Taxing at least the Red Book value could bring in a projected \$8,160,711 in additional revenues.*

### Recommendations

1. *The Legislative Auditor recommends that the Division of Motor Vehicles enact policy to charge a privilege tax on title transactions based on the present market value as required by West Virginia Code §17A-3-4.*
2. *The Legislative Auditor recommends that the Division of Motor Vehicles consult the Automobile Red Book in all privilege tax title transactions. The Division should charge a privilege tax based on the Automobile Red Book value when the sales price as reported by the vehicle owner is lower than the Red Book value.*



# Review Objective, Scope and Methodology

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This is a Full Performance Review of the West Virginia Division of Motor Vehicles as required by West Virginia Code §4-10-4. The Division of Motor Vehicles is responsible for ensuring the ethical interpretation and application of motor vehicle and related laws, providing essential motor vehicle and driver services to the public, promoting highway safety, and collecting revenue for transportation programs. This is the third report released for this evaluation.

## Objective

The objective of this review is to examine whether the Division is losing potential revenues by not taxing the present market value on vehicle title.

## Scope

The scope of this review consisted of an analysis of title transactions of Class A vehicles from August 5 - 9, 2002.

## Methodology

The Legislative Auditor's Office examined data provided by the Division of Motor Vehicles, which included a listing of all title transactions of Class A vehicles between the dates of August 5 - 9, 2002. The report was developed through analysis of that data, along with interviews and information requested from agency personnel. Every aspect of this evaluation complied with **Generally Accepted Government Auditing Standards (GAGAS)**.



# Issue 1

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## The Division of Motor Vehicles Should Follow West Virginia Code by Taxing Vehicle Title Transactions at Present Market Value.

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### Issue Summary

The Legislative Auditor conducted a follow-up audit regarding the Division of Motor Vehicles (DMV) taxation on vehicle title transactions. The previous audit, which was reported in January 2003, recommended that vehicles should be taxed at a minimum value of \$500, mainly because individuals were likely lowering the value of the vehicle to avoid paying higher titling fees. The Legislative Auditor conducted a more detailed sample to include all vehicle transactions during one week to determine whether the problem exists throughout the sample population. The analysis found that 69% of title transactions for model years between 1981 - 1995 were reported at a lower value than the Primedia Automobile Red Book value of the vehicle. The Division is losing potential revenues by not taxing vehicles at the present market value, which is required by West Virginia Code §17A-3-4. The Legislative Auditor recommends that the Division change the process by which it taxes title transactions. The preferred solution by the Legislative Auditor would be that the Division consult the Red Book for all Class A title transactions to ensure that the vehicle is taxed at least the present Red Book market value. **According to the Legislative Auditor's analysis, this solution would bring in an estimated \$8.2 million in additional revenues.**

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*The Division should consult the Red Book for all Class A title transactions to ensure that the vehicle is taxed at least the present Red Book market value.*

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### Background

The Legislative Auditor released a report in January 2003 regarding the Division of Motor Vehicles' taxation on vehicle title transactions. The report focused on vehicles sold and taxed for a value of less than \$500. The sample of 281 transactions showed that none of the post-1980 vehicles carried an Automobile Red Book value less than \$500. While more than half of the sample was valued at \$1,000 or less, 105 transactions had Red Book values over \$1,000. In addition, 55 vehicles, or 20% of the sample, were valued at \$2,000 or more. The impression was given from this sample that individuals may be lowering the value of a vehicle to avoid paying a higher tax. The Legislative Auditor recommended that the DMV set a minimum value of a vehicle transaction at \$500 with a flat rate charge of \$25 on transactions \$500 or less. The DMV would have generated an estimated **\$1,333,589** in additional revenues for FY 2003 if the recommendation would have been in place. As of April 1, 2003, as recommended, the Division has minimum \$500 sales price

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*A minimum value of \$500 on vehicle title transactions would have generated \$1,333,589 in revenue.*

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value of vehicle title transactions.

## Sample Expanded to Include All Vehicle Price Ranges

*The Division titled 475,299 Class A vehicles in 2002.*

The Division of Motor Vehicles titled 475,299 Class A vehicles for calendar year 2002. West Virginia Code states in §17A-3-4(b) that a 5% tax must be collected before issuing the title of a vehicle. This tax is often referred to as the privilege tax. If the vehicle is new, then the actual purchase price is used to determine the value of the vehicle, and the tax. Furthermore, the code states that if the vehicle is used or secondhand then:

*...the present market value at time of transfer or purchase is the value of the vehicle...*

The Division subscribes to the Primedia Automobile Red Book. However, it is rarely used in title transactions.

*The Legislative Auditor sample included all vehicle transactions during the week of August 5-9, 2002; 8,764 vehicles were transacted that week.*

One of the recommendations of the previous audit was that the Legislative Auditor continue the Division of Motor Vehicles audit in order to review all vehicle values with respect to the sales tax assessed. Continuation of the audit will determine the likelihood of further lowered vehicle values to avoid higher transaction fees. The Legislative Auditor conducted a more detailed sample which included **all** vehicle transactions during the week of August 5 through August 9, 2002. The Division provided the Legislative Auditor a listing of each vehicle sold during that week which consisted of 8,764 vehicle transactions. The Legislative Auditor eliminated net sale transactions which are vehicle sales that were traded for another vehicle. For example, if a \$5,000 vehicle was traded in for a \$10,000 vehicle, the net sale would be \$5,000, and the individual would only have to pay the privilege tax on the difference of \$5,000. Net sales transactions are typically completed through a licensed automobile dealer. After eliminating net sales transactions, **the sample population used was 5,092 vehicle transactions.**

*The sample size was 5,092 vehicle transactions after eliminating net sales transactions.*

The sample involved retrieving the Automobile Red Book value for each transaction and comparing it to the sales price as reported to and taxed by the DMV. The Red Book value for each vehicle transaction within the sample was determined by inputting the Vehicle Identification Number, which returned the make, model, year, and market value of the car. To clarify, the Red Book market values returned were for vehicles which were in what is considered as "good" condition. In cases where more than one market value were provided by the Red Book software, the Legislative Auditor **chose the lowest** of the values. In addition, the Red Book values were only for vehicles from model year 1981 and above. Vehicles before 1981 are not included in the Red Book.

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## Analysis of the Sample

*The Division is collecting less than the market value in almost 70% of 1981-1995 model years.*

Analysis of the sample reveals that the Division of Motor Vehicles is collecting less than the market value of vehicle title transactions, specifically in older model vehicles. According to the sample, almost 70% of 1981 - 1995 vehicle models were reported to the DMV as having a value less than the Red Book value. For model years 1981 through 1993, a large majority of vehicles were reported as being sold for less than the Red Book value. For 1994 models and up, the sample revealed that the majority of vehicles were reported above the Red Book value. Table 1 displays the percentages of vehicles sold for less than the market value as determined by the Red Book for model years 1981 - 1995.

<b>Year</b>	<b>Percentage</b>
1981 - 1985	75%
1986 - 1990	77%
1991 - 1995	59%
<b>Total Percentage</b>	<b>69%</b>
<i>Source: PERD analysis of DMV sample</i>	

The Legislative Auditor consulted the DMV for an opinion on why the vehicle sales values begin to closer reflect the market value in the later model years. A representative of the Division stated the following:

*Transactions of vehicle models older than five years seems to be when the problems start to arise with people reporting values lower than the fair market value. This is most likely because most vehicles are financed for five years, and then sold consumer to consumer after they are paid off. The majority of new vehicles are between dealer and consumer. Vehicle dealers are generally honest when reporting vehicle sales prices since they can be audited.*

With a total of 69% of vehicles 1981 - 1995 having reported sales

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values less than the Red Book value, the Legislative Auditor concludes that there is a significant problem with the DMV's taxation of title transactions. Since the reported values are less than the Red Book value, which is used to determine the market value, **the DMV is losing significant potential revenues.**

### **Causes of DMV Losing Revenues**

*The West Virginia Code clearly states in §17A-3-4 that the Division is to tax the present market value.*

The Division is losing significant revenues if citizens are not paying **at least** the tax on the present market value for vehicles. The Legislative Auditor and the DMV assume the possible cause is because citizens lower the value of the vehicle as reported to the Division in order to pay lower privilege taxes. **While this may be true, the Division must take some responsibility also. The West Virginia Code clearly states in §17A-3-4 that the Division is to tax the present market value.** This sample shows that the Division is not collecting the market value, and is part of the cause for losing potential revenues from the privilege tax.

### **Possible Solutions for Division of Motor Vehicles**

The Legislative Auditor analyzed two different possible solutions to the Division's losing potential revenues due to lowered vehicle values. One solution is to use minimum values that were presented by the Division. The second is to consult the Red Book in every transaction when an individual applies for a vehicle title. These solutions will be discussed in detail in the following paragraphs.

### **Division of Motor Vehicles' Minimum Values**

As in the previous audit, DMV suggested recommended minimum values for title transactions. The Division projected an additional **\$8,840,685** in revenues for FY 2002 if the Division had its desired minimum values in place. Table 2 contains the DMV's recommendations. The DMV did not provide recommended minimum values for model years 2000 - 2003.

<b>Table 2</b> <b>DMV's Recommended Minimum Values</b>	
<b>Model Year</b>	<b>Minimum Value</b>
1980 or less	\$500
1981 - 1985	\$1,000
1986 - 1990	\$1,500
1991 - 1995	\$2,000
1996 - 1999	\$3,000

*Source: WV Division of Motor Vehicles*

In order to determine the fairness of the Division's minimum values, the Legislative Auditor calculated the average sales price and the average Red Book value from the sample. The average sales price was less than the average Red Book value until 1996 - 1999 model years. For 1994 model years, the sales price on transactions begins to exceed the Red Book value and continues each year thereafter. Complete results of the analysis are shown in Table 3 below. In addition, Table 4 compares the DMV recommended minimum values and the average Red Book values for the model years 1981 - 1999.

<b>Table 3</b> <b>Average Sale Price/Average Red Book Value</b> <b>1981 - 1999</b>			
<b>Vehicle Model Year</b>	<b>Average Red Book Value</b>	<b>Average Sale Price</b>	<b>Difference</b>
1981-1985	\$842	\$611	\$231
1986-1990	\$1,370	\$830	\$540
1991-1995	\$2,530	\$2,368	\$162
1996-1999	\$6,191	\$7,890	(\$1,699)

*Source: PERD analysis of DMV sample*

*The Legislative Auditor does not support the DMV's recommended minimum values.*

Upon analyzing the average Red Book values as compared to the DMV recommended minimums, the Legislative Auditor cannot fully support the DMV's recommended minimums. As shown in Table 4 below, the DMV recommended minimum value for 1981 - 1985 vehicles is \$1,000, but the average vehicle Red Book value according to the Legislative Auditor's sample is only \$842. In addition, the recommended minimum value for model years 1986 - 1990 is \$1,500 while the average Red Book value is only \$1,370. Charging these minimums could cause individuals to pay a higher privilege tax than the value of the vehicle. **The Legislative Auditor does not support these minimum values.** As for model years 1991 - 1999, the average Red Book values exceed the DMV recommended values.

<b>Model Year</b>	<b>DMV Recommended Minimum Value</b>	<b>PERD Sample Average Red Book Value</b>	<b>Difference</b>
1981 - 1985	\$1,000	\$842	(\$158)
1986 - 1990	\$1,500	\$1,370	(\$130)
1991 - 1995	\$2,000	\$2,530	\$530
1996 - 1999	\$3,000	\$6,191	\$3,191

*Source: WV Division of Motor Vehicles and PERD analysis of DMV sample*

As stated previously, the DMV projected an additional \$8,840,685 of revenues for FY 2002 if the Division had its desired minimum values in place. The Legislative Auditor conducted an analysis based on the sample of DMV transactions. The analysis found that the Division would have generated an additional **\$126,492** based on vehicles with model years 1981 - 1999 for that week if the Division's current recommended minimums were used. Table 5 on the following page displays this analysis. This would extrapolate to approximately **\$6,799,642** for the calendar year using the total number of vehicles titled for the year, which was 475,299. The projected additional revenues would be actually less if the Division chose to create minimum values, assuming the Division would adjust its recommended values more fairly related to the average Red Book value.



<b>Table 5</b> <b>Revenues if DMV Recommended Minimum</b> <b>Values Were in Place for 8/5/2002- 8/9/2002</b>		
<b>Model Years</b>	<b>Total Actual Taxes Received</b>	<b>Revenues With Recommended Minimum Values</b>
1981-1985	\$13,548	\$25,827
1986-1990	\$57,695	\$117,567
1991-1995	\$155,469	\$199,048
1996-1999	\$372,473	\$383,235
<b>Totals</b>	<b>\$599,185</b>	<b>\$725,677</b>
<b>Additional Revenue</b>		<b>\$126,492</b>
<i>Source: PERD Analysis</i>		

### **Automobile Red Book Assists in Determining Vehicle Value**

The Legislative Auditor recommends a possible solution to the DMV, the use of the Red Book to assist in determining the vehicle values upon a title transaction. The Legislative Auditor analyzed two possible scenarios. The first of which would be for the DMV to determine the value of the vehicle in every transaction by consulting the Red Book. The DMV would consult the Red Book, and then tell the customer the value of the vehicle, and how much of a privilege tax to pay. This method would not be beneficial, especially in newer model vehicles, because their sales transaction price is higher than the Red Book value. This could be because the Red Book value is in good condition, and a newer model vehicle may actually be sold in better condition, thus the value of the vehicle would be much higher. After conducting the analysis, the Legislative Auditor found that DMV would actually have lost **\$31,467** in taxes for the week if this option were implemented. This could be a projected revenue decrease of \$1,690,072 by extrapolation of the total number of vehicles for the year. As mentioned above, the loss of revenues began to arise when a large amount of the newer vehicles were sold significantly higher than the Red Book value provided. As shown in Table 6 below, the Red Book value actually generated revenues up until 1996 - 1999 model years.

<b>Table 6</b> <b>Revenues from Red Book</b> <b>if DMV Determined the Value for 8/5/2002 - 8/9/2002</b>			
<b>Model Years</b>	<b>Total Current Taxes Received</b>	<b>Revenues If Red Book Determined Minimum Values</b>	<b>Difference</b>
1981-1985	\$13,548	\$18,490	\$4,942
1986-1990	\$57,695	\$92,967	\$35,272
1991-1995	\$155,469	\$164,338	\$8,869
1996-1999	\$372,473	\$291,923	(\$80,550)
<b>Totals</b>	<b>\$599,185</b>	<b>\$567,718</b>	<b>(\$31,467)</b>
<i>Source: PERD Analysis of DMV Sample</i>			

*Taxing at least the Red Book value could bring in a projected \$8,160,711 in additional revenues.*

The recommended solution presented by the Legislative Auditor is for the DMV to use the Red Book in assisting with vehicle values. When presented with a title registration, the DMV would consult the Red Book to determine whether the sales value reported by the customer was **at least** the Red Book value. As stated earlier, 69% of vehicles 1981 - 1995 are reported with values lower than the Red Book value according to the sample. The Legislative Auditor analyzed this possible solution with the sample by **determining the difference** between all vehicles sold at less than the Red Book value. According to the analysis, the DMV would have generated an **additional \$149,509** for the week of August 5 - 9, 2002 by using this scenario. The following table displays the analysis. **This could be a projected \$8,160,711 in additional yearly revenues.** Projected revenues were determined by extrapolating the sample additional revenues throughout all 475,299 Class A title transactions in 2002.

<b>Table 7</b> <b>Additional Revenues If DMV Taxes</b> <b>At Least Red Book Value for 8/5/2002- 8/9/2002</b>			
<b>Model Years</b>	<b>Total Current Taxes Received</b>	<b>Revenues With Minimum Red Book Value</b>	<b>Difference</b>
1981-1985	\$5,425	\$14,447	\$9,022
1986-1990	\$27,149	\$74,428	\$47,279
1991-1995	\$43,374	\$93,173	\$49,799
1996 - 2000	\$45,643	\$73,762	\$28,119
2001 - 2003	\$32,728	\$48,018	\$15,290
<b>Totals</b>	<b>\$154,319</b>	<b>\$303,828</b>	<b>\$149,509</b>
<i>Source: PERD Analysis of DMV Sample</i>			

*The DMV consulting the Red Book for determination of a minimum value is the best solution.*

The Legislative Auditor has determined that having DMV employees consult the Red Book for determination of a minimum value is the best solution to the agency losing revenues by not collecting the proper privilege tax. This solution would cost the Division some money since each employee dealing with titling transactions would have to be provided with either the Red Book software or an updated publication. In addition, some training may be required on how to use the Red Book. While this solution would cost some money, the potential additional annual revenues of almost 8 million dollars make it an effective solution.

### Conclusion

The Legislative Auditor conducted a follow-up sample to a vehicle title transaction sample in January 2003. That sample determined that the DMV was losing potential revenues due to individuals lowering the values on vehicles in order to avoid paying higher privilege taxes. The recommendation from the sample was that the DMV should have a minimum value of \$500, which was implemented by the Division in April of 2003. The Legislative Auditor decided to conduct a more detailed sample based on all transactions, and look into options to help create a more effective system of assessing vehicle values. The sample population was 5,092 vehicle transactions. The analysis found that almost 70% of vehicles with model years 1981 - 1995 are reported to the DMV as being sold at less than the Red Book value. Thus, the Division is losing significant amounts of revenues. The Legislative Auditor analyzed possible solutions to the Division including:

- 
1. The DMV setting minimum values for model years;
  2. The DMV determining the value according to the Red Book; and
  3. The DMV consulting the Red Book to ensure that at least a market value was taxed.

**The Legislative Auditor determined that the DMV consulting the Red Book was the best scenario.** According to the analysis, the DMV would have generated an **additional \$149,509** for the week of August 5 - 9, 2002 by using this scenario, with a **projected \$8,160,711 in additional fiscal year revenues.**

### **Recommendations**

1. *The Legislative Auditor recommends that the Division of Motor Vehicles enact policy to charge a privilege tax on title transactions based on the present market value as required by West Virginia Code §17A-3-4.*
2. *The Legislative Auditor recommends that the Division of Motor Vehicles consult the Automobile Red Book in all privilege tax title transactions. The Division should charge a privilege tax based on the Automobile Red Book value when the sales price as reported by the vehicle owner is lower than the Red Book value.*

# Appendix A: Transmittal Letter

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## WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

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John Sylvia  
Director

July 16, 2003

Roger Pritt, Commissioner  
Division of Motor Vehicles  
State Capitol Complex  
Charleston, West Virginia 25317

Dear Commissioner Pritt:

This is to transmit a draft copy of the *Full Performance Evaluation of the Division of Motor Vehicles*. This report is scheduled to be presented at the August 2003 interim meeting of the Joint Committee on Government Operations. August interim meetings are scheduled for August 3<sup>rd</sup> - 5<sup>th</sup>. A representative from our office will contact you with the exact time, date, and location of the meeting as soon as the final interim meeting schedule is released. It is expected that a representative from your agency be present at the meeting to respond to the report and answer any questions the committee may have.

We would like to schedule an exit conference between July 17<sup>th</sup> and July 23<sup>rd</sup>, 2003 to discuss any concerns you may have with the report. Please contact Denny Rhodes at 347-4890 to set up a meeting time. In addition, we need your written response by noon on July 24, 2003 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, July 31, 2003 to make arrangements.

We request that your personnel treat the draft report as confidential and that it not be disclosed to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in cursive script.  
John Sylvia

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*Joint Committee on Government and Finance*

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*Division of Motor Vehicles*

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# Appendix B: Agency Response

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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

## Division of Motor Vehicles

1800 Kanawha Boulevard East • Building Three  
Charleston, West Virginia 25317-0010

Bob Wise  
Governor

Fred VanKirk, P. E.  
Secretary

Roger Pritt  
Commissioner

July 24, 2003

Denny Rhodes, Senior Research Analyst  
West Virginia Legislature  
Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, WV 25305-0610

Dear Mr. Rhodes:

Please find attached the Division of Motor Vehicles responses to the Full Performance Evaluation of the Division of Motor Vehicles dated July 16, 2003.

We look forward to meeting with you at 2:00 p.m. on Thursday, July 24<sup>th</sup>.

Sincerely,

A handwritten signature in black ink that reads "Rick Johnston".

Richard M. Johnston  
Director

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WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

**Division of Motor Vehicles**

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Bob Wise  
Governor

Fred VanKirk, P. E.  
Secretary/Commissioner

Roger Pritt  
Commissioner

Response to Legislative Auditor Recommendations:

**Recommendation 1.** The Legislative Auditor recommends that the Division of Motor Vehicles enact policy to charge a privilege tax on title transactions based on the present market value as required by West Virginia Code §17A-3-4.

**Response 1.** The division agrees that all vehicles titled in the State of West Virginia should be taxed based upon their current value at the time of titling as required by West Virginia Code §17A-3-4.

**Recommendation 2.** The Legislative Auditor recommends that the Division of Motor Vehicles consult the automobile Red Book in all privilege tax title transactions. The Division should charge a privilege tax based on the automobile Red Book value when the sales price as reported by the vehicle owner is lower than the Red Book value, unless the owner can provide documentation that the vehicle is less than "good" condition

**Response 2.** The Division agrees that a standardized method of determining present value should be employed. The Division further recognizes that extraneous factors, such as physical damage, can devalue a vehicle beyond the stated value in the Automobile Red Book. The Division does not, however, feel that is prudent to accept documentation from the vehicle owners as a basis for decreasing the taxable value. The division feels that this would inject a great deal of subjectivity in to the process and create avenues for fraud.

The Division has implemented a minimum taxable value of \$500.00 for all vehicles that have a reported sales price of less than \$500.00. The Division is currently developing procedures that will apply the tax in a fair and equitable manner to all titling transactions. The program has not been fully developed and is not ready to implement at this time.

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