

CHAPTER 18

(HB 284)

AN ACT relating to motor vehicles.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔SECTION 1. A NEW SECTION OF KRS CHAPTER 186A IS CREATED TO READ AS FOLLOWS:

As used in this chapter:

- (1) *"Approved entity" means:*
 - (a) *A motor vehicle dealer licensed under KRS Chapter 190 that applies to and is approved by the Transportation Cabinet to facilitate the title application process through the electronic title application and registration system;*
 - (b) *A state or federal financial institution chartered under the laws of this state, any other state, or the United States as a bank insured by the Federal Deposit Insurance Corporation (FDIC), bank holding company, trust company, credit union, savings and loan association, or a holding company or service corporation subsidiary thereof, or any agent of any of the entities listed in this paragraph;*
 - (c) *An owner of a fleet as defined in this section that applies to and is approved by the Transportation Cabinet to facilitate renewal of registration or maintenance of permanent registration under Section 13 of this Act through the electronic title application and registration system; and*
 - (d) *A retailer of manufactured homes, mobile homes, or recreational vehicles, as defined in KRS 227.550, that applies to and is approved by the Transportation Cabinet to facilitate the title application process through the electronic title application and registration system;*
- (2) *"Cabinet" means the Transportation Cabinet;*
- (3) *"Electronic title application and registration system" means a system established under Section 2 of this Act by which title applications, title lien statements, other supporting documents, signatures, and fees are input and transmitted through the title application and registration process in an electronic format;*
- (4) *"Fleet" means:*
 - (a) *A group of at least one hundred fifty (150) U-Drive-It vehicles owned by the holder of a U-Drive-It certificate; or*
 - (b) *A group of at least ten (10) nonapportioned commercial motor vehicles owned by a company and used for business purposes; and*
- (5) *"Title lien statement" means a document, submitted by a secured party or authorized agent, to the cabinet through any county clerk's office in the Commonwealth, to note the security interest on the certificate of title, or to amend or terminate a security interest on the certificate of title.*

➔SECTION 2. A NEW SECTION OF KRS CHAPTER 186A IS CREATED TO READ AS FOLLOWS:

- (1) *The cabinet shall establish an electronic title application and registration system which allows the submission of the required forms and signatures electronically in lieu of the paper title application process.*
- (2) *The electronic title application and registration system established under this section shall:*
 - (a) *Collect all the necessary information required under KRS 186A.060;*
 - (b) *Collect and electronically transmit all fees imposed under KRS 186.040, 186.050, 186.162, and 186A.130, any fees imposed under subsection (6) of this section, and the motor vehicle use tax levied under KRS 138.460;*
 - (c) *Accept electronic signatures which satisfy the requirements of KRS 369.101 to 369.120; and*
 - (d) *Transmit the information in a secure manner.*
- (3) *An approved entity that wishes to use the electronic title application and registration system shall transmit all application documents, required electronic signatures, and fees through the system to the county clerk of*

the county in which either the purchaser of the vehicle resides or the motor vehicle dealer selling the vehicle is located. A county clerk who receives an application transmitted through the system shall, by 3 p.m. the next business day, either:

- (a) *Accept the application and forward it to the cabinet; or*
 - (b) *Reject the application and return it to the approved entity.*
- (4) *An entity that wishes to become an approved entity for the purposes of this chapter shall submit an application to the cabinet, along with a one hundred fifty dollar (\$150) application fee. If approved, the entity shall pay an annual registration fee to the cabinet. All fees collected under this subsection shall be deposited into the road fund.*
 - (5) *The cabinet shall enter into contracts with qualified third-party providers to integrate with AVIS and other systems to provide software and programs to approved entities to facilitate electronic vehicle registration, titling, and filing of title lien statements. A third party that contracts with the cabinet under this section may act on behalf of the cabinet and county clerks in receiving, processing, and transmitting to the county clerk title and registration applications, title lien statements, and related documents and fees.*
 - (6) *Any agreement with the cabinet and a third-party provider under subsection (5) of this section shall authorize an online transaction fee to be charged by the third-party provider to an approved entity. A motor vehicle dealer licensed under KRS Chapter 190 who uses the electronic title application and registration system to file the documentation necessary to obtain a certificate of title or registration for the purchaser of a vehicle shall collect from the purchaser any fees charged for the transaction by the third-party provider. The dealer shall remit fees collected under this subsection to the county clerk through the electronic title application and registration system. Any transaction fee charged under this subsection shall be listed separately on the buyer's order and identified as "on-line system filing fee."*
 - (7) *The cabinet shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish qualifications for approved entities and procedures for the electronic title application and registration system.*

➔Section 3. KRS 186A.165 is amended to read as follows:

- (1) *Except as provided in subsection (4) of this section, not later than 3 p.m. on the next business day after an application for a ~~first~~ certificate of registration or title **and registration** for a vehicle is received ~~by him~~, the county clerk shall **complete a** ~~prepare on forms supplied by the Department of Vehicle Regulation, an application~~ transmittal record.*
- (2)~~(1)~~ *The clerk shall indicate thereon in the spaces provided, the name of his **or her** county, the date or time period the transmittal relates to and, in the order they are to be attached to the transmittal record, a notation for each application attached consisting of the applicant's last name and initials or if the applicant is other than an individual, the name commonly used by the applicant and any other information required upon the form as indicated thereon.*
- (3)~~(2)~~ *The clerk shall ensure that the original of all applications noted on the transmittal, together with the original of all required supporting documents are attached to the transmittal record in the order shown thereon, and shall thereafter sign and date the original of the transmittal record as of the date the transmittal is being forwarded to Frankfort.*
- ~~(3) The county clerk shall place the original of each application record, with the original of each application shown thereon, and its required supporting documents, together with the acknowledgment of the transmittal record, in the envelope or other container provided by the Department of Vehicle Regulation and forward to the Division of Motor Vehicle Licensing in Frankfort.~~
- (4) *This section shall not apply to applications for title using the electronic title application and registration system established under Section 2 of this Act.*

➔Section 4. KRS 186A.120 is amended to read as follows:

- (1) *Except for applications for title using the electronic title application and registration system established under Section 2 of this Act, application for a first certificate of registration or title and plate ~~;~~ shall be made by the owner to the county clerk of the county in which **the owner** ~~he~~ resides, except that, if a vehicle is purchased from a dealer other than in the county in which the purchaser for use resides, the purchaser, or the dealer on behalf of the purchaser, may make application for registration to the county clerk in either the county in which the purchaser resides, or in the county in which the dealer's principal place of business is located.*

- (2) (a) When purchaser of a vehicle upon which a lien is to be recorded is a resident of a county other than that of the dealer, the application for registration or title may be made to the county clerk in either county. The lien must be recorded in the county of the purchaser's residence.
- (b) If vehicle application for registration or title is presented to the county clerk of dealer's location rather than purchaser's residence, the clerk shall process documents in a manner similar to that of any application, with the exception that the AVIS system shall be programmed in a manner that the title shall not be issued from Frankfort until the lien information has been entered by the county clerk of the purchaser's residence.
- (3) (a) A new vehicle, when first registered or titled in this state, shall be registered or titled in the name of the first owner for use rather than in the name of a dealer who held the vehicle for sale.
- (b) Except as otherwise provided in this chapter, a used vehicle not previously registered or titled in this state shall be registered or titled in the name of the first owner for use rather than in the name of a dealer who held the vehicle for resale.
- (4) If the owner of a vehicle required to be registered or titled in this state does not reside in the Commonwealth, the vehicle shall be registered or titled with the county clerk of the county in which the vehicle is principally operated.
- (5) If the owner of a vehicle is other than an individual and resides in the Commonwealth, the vehicle shall be registered or titled with the county clerk in either the county in which the owner resides or in the county in which the vehicle is principally operated.

➔Section 5. KRS 186A.125 is amended to read as follows:

- (1) ***Except as provided in subsection (5) of this section,*** application for a first certificate of registration, or title, in the name of an owner shall be made on forms prescribed by the Department of Vehicle Regulation consistent with this chapter, which shall be available from any county clerk.
- (2) Application forms shall be completed, except as to required signatures, by legibly printing in ink, or typing all required information.
- (3) The application, when presented to the county clerk, shall contain all required information and be fully executed with all required supporting documentation and fees.
- (4) The county clerk shall reject any application upon which the information provided is not legibly printed or typed, the required information is not supplied, not accompanied by required supporting documents, not properly executed with signatures when required, or when the clerk determines that the application is improper or that the applicant is not entitled to registration or title of the vehicle for which registration or title is sought, or in the absence of the required fees.
- (5) ***This section shall not apply to applications for title using the electronic title application and registration system established under Section 2 of this Act.***

➔SECTION 6. KRS 186A.195 IS REPEALED AND REENACTED TO READ AS FOLLOWS:

- (1) ***As used in this section, submission of a title lien statement refers to the presentation of a title lien statement, along with the fees required under KRS 64.012(1)(b), to the cabinet through any county clerk's office in the Commonwealth.***
- (2) ***Upon submission of a title lien statement, the county clerk shall use the information on the form to note the security interest on the certificate of title in accordance with subsection (9) of Section 9 of this Act. Title lien statements may be made available to the general public. However, public availability of a title lien statement shall not be considered necessary or effective to perfect a security interest in property required to be registered or titled in accordance with this chapter.***
- (3) (a) ***If the submission of a title lien statement accompanies the application for first title of any property in the name of an owner, the county clerk shall enter the information required by subsection (9) of Section 9 of this Act into the system of record so as to allow the cabinet to:***
 - 1. ***Use the system of record as a centralized, statewide repository for lien filings; and***
 - 2. ***Produce a certificate of title bearing the information designated by subsection (9) of Section 9 of this Act, as well as any other information required by the cabinet.***

- (b) *After the information has been entered, the county clerk shall produce a certificate of registration, if required.*
- (4) (a) *If the form prescribed by KRS 186A.060 indicates a pending lien, but the title lien statement does not accompany the application for title, the county clerk shall enter into the system of record the name and address of the lienholder or that a lien is pending. The county clerk shall indicate a title shall not be issued until either the title lien statement and the required fees are submitted, or in thirty (30) days, whichever occurs first. The county clerk shall then issue the registration.*
- (b) *After submission of the title lien statement, the county clerk shall enter the date of lien notation and the notation number into the system of record, enabling the cabinet to record the lien in the system of record and produce a title.*
- (5) *If a certificate of title is issued after the thirty (30) day time window identified in subsection (4) of this section has expired without the notation of a security interest, or if a title has been issued because there was no provision made for a lien to be noted within thirty (30) days, a secured party wishing to note a security interest on a title shall submit a title lien statement. The county clerk shall enter the information required by subsection (9) of Section 9 of this Act into the system of record and a new certificate of title reflecting the security interest shall be produced.*
- (6) *The fee for the filing of a title lien statement through the electronic title application and registration system shall be transferred electronically to the county clerk of the county in which the debtor resides.*
- (7) *The security interest noted on the certificate of title shall be deemed perfected at the time the security interest attaches in accordance with KRS 355.9-203 if the secured party submits a properly completed title lien statement with application for first title or, in the case of property previously titled in the name of the debtor, within thirty (30) days of attachment. Otherwise, the security interest shall be deemed perfected at the time that the title lien statement is submitted.*

➔Section 7. KRS 186A.200 is amended to read as follows:

- (1) With respect to a vehicle previously titled in the name of its debtor, the secured party shall, within thirty (30) days after execution of the security agreement, **submit a title lien statement in accordance with Section 6 of this Act**~~{obtain the current certificate of title in the name of the debtor, with no more than one (1) prior lien indicated thereon, and present to the county clerk the certificate of title, which the secured party shall have the right to obtain from the debtor, together with the title lien statement and the required fees in KRS 186A.190 to the county clerk}.~~
- (2) For failure to present~~{both}~~ the~~{title and}~~ title lien statement within~~{the time}~~ prescribed by subsection (1) of this section, the secured party shall pay a penalty of two dollars (\$2) to the county clerk as a prerequisite for noting the security interest on the title.
- (3) The county clerk shall enter the information required by KRS 186A.190(9) into **the system of record established under Section 6 of this Act, enabling the cabinet to record the lien in the system of record and produce a title**~~{the automated system}.~~
- ~~(4) The county clerk shall record upon the title in the appropriate section the information designated by KRS 186A.190(9)}.~~

➔Section 8. KRS 186.045 is amended to read as follows:

- (1) A perfected security interest in a motor vehicle that has been satisfied by payment in full shall be deemed to have been discharged if one (1) or both of the following events has occurred:
 - (a) The funds to pay in full and discharge the security interest have been provided to the secured party in the form of a cashier's check, certified check, or wire transfer; or
 - (b) The debt has been paid to a secured party who is no longer in existence or has failed to file the necessary documents to discharge the lien.
- (2) If payment in full has been made under subsection (1)(a) of this section, the discharge of the lien shall be made not later than ten (10) days from the receipt of the payment.
- (3) When a security interest has been paid in full and a termination statement or discharge has not been filed, the debtor may petition the Circuit Court in the county of the debtor's residence to order the discharge of the security interest. The debtor shall present written evidence to the Circuit Court that the security interest has been paid in full. If the evidence presented to the Circuit Court proves to the court's satisfaction that the

security interest has been paid in full, the court shall order the county clerk to note the termination on the title and to remove the lien from the Automated Vehicle Information System (AVIS). A copy of the court's order shall immediately be sent to the county clerk in the county where the security interest was originally filed and the county clerk shall discharge the security interest and remove the lien information from AVIS in accordance with the provisions of this section.

- (4) Whenever a security interest has been discharged, other than by proceedings under Part 6 of Article 9 of KRS Chapter 355 or similar proceedings, the secured party shall:
- (a) **1. For a security interest perfected prior to the effective date of this Act:**
- a.** Deliver an authenticated termination statement in the manner required by KRS 355.9-513 ~~and 186A.195~~ to the county clerk of the county in which the title lien statement was submitted; or
- b.**~~(b)~~ Have a county clerk from another county submit by fax or other form of electronic communication available and acceptable to both sender and recipient, and verified verbally or by electronically assigned identification as being from the sending clerk, and which is able to be copied to an electronic or paper file, on that county clerk's letterhead, an authenticated termination statement in the manner required by KRS ~~186A.195 and~~ 355.9-513 to the county clerk of the county in which the title lien statement was submitted. The county clerk, upon receipt of the authenticated termination statement in the manner prescribed under this paragraph, shall verify the legitimacy of the document; **or**
- 2. For a security interest perfected on or after the effective date of this Act, submit an authenticated termination statement to a county clerk in the same manner as a title lien statement under Section 6 of this Act; and**~~;~~
- (b) ~~{The secured party shall also }~~Deliver a copy of the termination statement to the debtor or the debtor's transferee.

For failure to file the termination statement within the allowable time, the secured party shall be subject to the penalty provided in KRS 186.990(1). Except as provided in subsection (3) of this section, within five (5) days after the receipt of ~~these~~~~such~~ documents, the county clerk shall ~~enter~~~~note~~ the filing **into the system of record**~~in the index, in language prescribed by the cabinet, that the termination statement has been filed. Upon presentation of the owner's title showing a security interest to the county clerk where the termination statement was submitted, and with the copy of the termination statement submitted by the secured party, the clerk shall discharge the security interest by noting on the title that the termination statement has been filed and place the seal of the county clerk thereon. The clerk shall return the owner's title to the owner.~~ The county clerk shall then file the termination statement in the place from which the title lien statement was removed. Termination statements shall be retained in the clerk's files for a period of two (2) years subsequent to the date of filing a statement, at which time they may be destroyed. The fee for these services are included in the provisions of KRS 186A.190.

- (5) Upon presentation of an owner's title showing a security interest to the county clerk of a county where the termination statement was not delivered, the county clerk shall access the automated system to determine whether a record of termination of the security interest has been entered into the automated system by the county clerk where the termination statement was delivered by the secured party as provided in KRS 186A.210. If a record of termination has been entered into the automated system, the county clerk of the county where the termination statement was not delivered~~;~~ shall note the discharge of the security interest on the certificate of title by noting that the termination statement has been delivered, the county where it was delivered, and placing the seal of the county clerk thereon and may rely on the automated system to do so. If a record of termination has not been entered into the automated system, the county clerk of the county other than where the termination statement was delivered shall not make any notation upon the certificate of title that the security interest has been discharged or that a termination statement has been delivered to the county where the title lien statement was submitted.
- (6) Whenever any secured party repossesses a vehicle titled in Kentucky, for which a security interest is in existence at the time of repossession, and disposes of the vehicle pursuant to the provisions of KRS Chapter 355, the secured party shall present, within fifteen (15) days after ~~the~~~~such~~ disposition, the vehicle's license plate if the plate has not been retained by the previous owner, an affidavit in a form prescribed by the department, proof of notification of all interested parties pursuant to KRS 186A.190 and 355.9-611, and a

termination statement or proof that a termination statement has been filed. The new owner shall pay to the county clerk all applicable fees for titling and transferring the vehicle into his or her name. Upon receipt of ~~the [such]~~ documents, the county clerk who issued the lien shall then omit from the *new* title ~~[he makes]~~ application ~~for~~ any information relating to the security interest under which the vehicle was repossessed or any security interest subordinate thereto. However, any security interest, as shown by ~~the [such]~~ title which is superior to the one under which the vehicle was repossessed, shall be shown on the title issued by the clerk unless the prior secured party has discharged the security interest in the clerk's office or proof of termination is submitted, if the prior security interest was discharged in another clerk's office.

- (7) Whenever any vehicle brought into Kentucky is required to be titled and the vehicle is then subject to a security interest in another state as shown by the out-of-state documents presented to the clerk, the county clerk is prohibited from processing the application for title on the vehicle unless the owner obtains from the secured party a financing statement or title lien statement and presents same to the clerk along with the fees required in KRS 186A.190. The clerk shall note the out-of-state security interest on the certificate of title. This provision does not apply to vehicles required to be registered in Kentucky under forced registration provisions under KRS 186.145.
- (8) The fees provided for in this section are in addition to any state fee provided for by law.
- (9) Any person violating any provision of this section or any person refusing to surrender a certificate of title registration and ownership or transfer certificate upon request of any person entitled thereto, is subject to the penalties provided in subsection (1) of KRS 186.990.
- (10) The county clerk is prohibited from noting any security interest on a certificate of title on any vehicle subject to the provisions of KRS Chapter 186A if a certificate of title therefor is presented to ~~the clerk [him]~~ which has all the spaces provided thereon for noting security interests fully exhausted. The owner is responsible for ensuring that a discharge is noted on the certificate of title for each security interest and then a duplicate title as provided for in KRS 186A.180 shall be obtained from the clerk by the owner of the vehicle.
- (11) Security interests in vehicles sold to or owned by residents of other states shall be perfected in the state of the nonresident and repossession of the vehicle shall be taken pursuant to the laws of that state, unless:
 - (a) The vehicle is principally operated in Kentucky;
 - (b) The vehicle is properly titled in Kentucky under KRS Chapter 186A; and
 - (c) The security interest is authorized to be noted on the certificate of title by the county clerk under KRS Chapter 186A.
- (12) A county clerk who accepts an authenticated termination statement and complies with the verification requirements of subsection ~~(4)(a)1.b.~~ ~~{(4)(b)}~~ of this section shall be held harmless from any liability arising from fraudulent termination statements.

➔Section 9. KRS 186A.190 is amended to read as follows:

- (1) Except as provided in subsection (6) of this section and in KRS 355.9-311(4), the perfection of a security interest in any property for which has been issued a Kentucky certificate of title shall be by notation on the certificate of title which shall be deemed to have occurred when the provisions of subsection (3) of this section have been complied with. Discharge of a security interest shall be by notation on the certificate of title. Notation shall be made by the entry of information required by subsection (9) of this section into the Automated Vehicle Information System. The notation of the security interest on the certificate of title shall be in accordance with this chapter and shall remain effective from the date on which the security interest is noted on the certificate of title for a period of ten (10) years, or, in the case of a manufactured home, for a period of thirty (30) years, or until discharged under this chapter and KRS Chapter 186. The filing of a continuation statement within the six (6) months preceding the expiration of the initial period of a notation's effectiveness extends the expiration date for five (5) additional years, commencing on the day the notation would have expired in the absence of the filing. Succeeding continuation statements may be filed in the same manner to continue the effectiveness of the initial notation.
- (2) A motor vehicle dealer, a secured party or its representative, an assignee of a retail installment contract lender, *the cabinet*, or a county clerk shall rely on a county of residence designated by the debtor on any approved, notarized state form utilized in lien titling or the title transfer process signed by the debtor. Reliance on the foregoing by the motor vehicle dealer, secured parties, *cabinet*, and county clerk shall relieve those persons from liability to any third party claiming failure to comply with this section.

- (3) Except as provided in subsection (6) of this section, the notation of security interests relating to property required to be titled under this chapter in Kentucky through the ~~cabinet~~~~county clerk~~ shall be done in the office of ~~a~~~~the~~ county clerk. **The notation of a security interest shall reflect** ~~of~~ the county in which the debtor resides as determined by subsections (2) and (4) of this section. The security interest shall be deemed to be noted on the certificate of title and perfected, or deemed perfected at the time the security interest attaches as provided in KRS 355.9-203, if in compliance with KRS 186A.195(7)~~(5)~~, when a title lien statement:
- (a) Is received by the county clerk, ~~in the county in which residence of the debtor resides as determined under the provisions of this section~~ together with the required fees, ~~as designated by the debtor in the sworn statement~~;
 - (b) Describes the titled vehicle, or vehicle to be titled, by year, model, make, and vehicle identification number;
 - (c) Provides the name of the secured party, or a representative of the secured party, together with the additional information about the secured party required by subsection (9) of this section with reasonable particularity; and
 - (d) Includes the date and time-stamped entry of the notation of the security interest by the county clerk of the required information in the Automated Vehicle Information System (AVIS), or its successor title processing system maintained by the Division of Motor Vehicle Licensing of the Transportation Cabinet.
- (4) Except as provided in subsection (6) of this section, if the debtor is other than a natural person, the following provisions govern the determination of the county of the debtor's residence:
- (a) A partnership shall be deemed a resident of the county in which its principal place of business in this state is located. If the debtor does not have a place of business in this state, then the debtor shall be deemed a nonresident for purposes of filing in this state;
 - (b) A limited partnership organized under KRS Chapter 362 or as defined in KRS 362.2-102(14) shall be deemed a resident of the county in which its principal place of business is located, as set forth in its certificate of limited partnership or most recent amendment thereto filed pursuant to KRS Chapter 362 or 362.2-202. If ~~the~~~~such~~ office is not located in this state, the debtor shall be deemed a nonresident for purposes of filing in this state;
 - (c) A limited partnership not organized under the laws of this state and authorized to do business in this state shall be deemed a resident of the county in which the office of its process agent is located, as set forth in the designation or most recent amendment thereto filed with the Secretary of State of the Commonwealth of Kentucky;
 - (d) A corporation organized under KRS Chapter 271B, 273, or 274 or a limited liability company organized under KRS Chapter 275 shall be deemed a resident of the county in which its registered office is located, as set forth in its most recent corporate filing with the Secretary of State which officially designates its current registered office;
 - (e) A corporation not organized under the laws of this state, but authorized to transact or do business in this state under KRS Chapter 271B, 273, or 274, or a limited liability company not organized under the laws of this state, but authorized to transact business in this state under KRS Chapter 275, shall be deemed a resident of the county in which its registered office is located, as set forth in its most recent filing with the Secretary of State which officially designates its current registered office;
 - (f) A cooperative corporation or association organized under KRS Chapter 272 shall be deemed a resident of the county in which its principal business is transacted, as set forth in its articles of incorporation or most recent amendment thereto filed with the Secretary of State of the Commonwealth of Kentucky;
 - (g) A cooperative corporation organized under KRS Chapter 279 shall be deemed a resident of the county in which its principal office is located, as set forth in its articles of incorporation or most recent amendment thereto filed with the Secretary of State of the Commonwealth of Kentucky;
 - (h) A business trust organized under KRS Chapter 386 shall be deemed a resident of the county in which its principal place of business is located, as evidenced by the recordation of its declaration of trust in that county pursuant to KRS Chapter 386;

- (i) A credit union organized under Subtitle 6 of KRS Chapter 286 shall be deemed a resident of the county in which its principal place of business is located, as set forth in its articles of incorporation or most recent amendment thereto filed with the Secretary of State of the Commonwealth of Kentucky; and
- (j) Any other organization defined in KRS 355.1-201 shall be deemed a resident of the county in which its principal place of business in this state is located, except that any limited liability company, limited liability partnership, limited partnership, or corporation not organized under the laws of this state and not authorized to transact or do business in this state shall be deemed a nonresident for purposes of filing in this state. If the organization does not have a place of business in this state, then it shall be deemed a nonresident for purposes of filing in this state.

If the debtor does not reside in the Commonwealth, the notation of the security interest shall be done in the office of the county clerk in which the property is principally situated or operated. Notwithstanding the existence of any filed financing statement under the provisions of KRS Chapter 355 relating to any property registered or titled in Kentucky, the sole means of perfecting and discharging a security interest in property for which a certificate of title is required by this chapter is by notation on the property's certificate of title under the provisions of this chapter or in accordance with the provisions of KRS 186.045(3). In other respects the security interest is governed by the provisions of KRS Chapter 355.

- (5) Except as provided in subsection (6) of this section, before ownership of property subject to a lien evidenced by notation on the certificate of title may be transferred, the transferor shall obtain the release of the prior liens in his *or her* name against the property being transferred. Once a security interest has been noted on the owner's title, a subsequent title shall not be issued by any county clerk free of the notation unless ~~the owner's title is presented to the clerk and~~ it has been noted *in the system of record established under Section 6 of this Act* ~~thereon~~ that the security interest has been discharged. If this requirement is met, information relating to any security interest shown on the title as having been discharged may be omitted from the title to be issued by the clerk. If information relating to the discharge of a security interest is presented to a clerk under the provisions of KRS 186.045(3), the clerk shall discharge the security interest and remove the lien information from AVIS.
- (6) Notwithstanding subsections (1) to (5) of this section, a county clerk shall, following inspection of the vehicle by the sheriff, to determine that the vehicle has not been stolen, issue a new ownership document to a vehicle, clear of all prior liens, to a person after he or she provides to the county clerk an affidavit devised by the Transportation Cabinet and completed by the person. The ownership document presented as a result of this affidavit shall be in accordance with subsection (7) of this section. In the affidavit, the affiant shall attest that:
 - (a) The affiant or the agent of the affiant possesses the vehicle;
 - (b) Before he or she provided the notices required by paragraphs (c) and (d) of this subsection:
 - 1. A debt on the vehicle has been owed him or her for more than thirty (30) days;
 - 2. Within thirty (30) days of payment of damages by an insurance company and receipt by the current owner of the motor vehicle or lienholder of damages pursuant to a claim settlement which required transfer of the vehicle to the insurance company, the insurance company has been unable to obtain:
 - a. A properly endorsed certificate of title on the vehicle from the current owner; and
 - b. If applicable, any lien satisfactions; or
 - 3. a. The vehicle was voluntarily towed or transported pursuant to a request of the current owner or an insurance company that a motor vehicle dealer, licensed as a used motor vehicle dealer and motor vehicle auction dealer, take possession of and store the motor vehicle in the regular course of business; and
 - b. Within forty-five (45) days of taking possession of the motor vehicle, the motor vehicle dealer has not been paid storage fees by the current owner or lienholder and has not been provided both a properly endorsed certificate of title and if applicable, any lien satisfactions;
 - (c) More than thirty (30) days before presenting the affidavit to the county clerk, the affiant attempted to notify the owner of the vehicle and all known lienholders, including those noted on the title, by certified mail, return receipt requested, or by a nationally recognized courier service, of his or her name, address,

and telephone number as well as his or her intention to obtain a new title or salvage title, as applicable, clear of all prior liens, unless the owner or a lienholder objects in writing;

- (d) More than fourteen (14) days before presenting the affidavit to the county clerk, the affiant had published a legal notice stating his or her intention to obtain title to the vehicle. The legal notice appeared at least twice in a seven (7) day period in a newspaper with circulation in the county. The legal notice stated:
1. The affiant's name, address, and telephone number;
 2. The owner's name;
 3. The names of all known lienholders, including those noted on the title;
 4. The vehicle's make, model, and year; and
 5. The affiant's intention to obtain title to the vehicle unless the owner or a lienholder objects in writing within fourteen (14) days after the last publication of the legal notice; and
- (e) Neither the owner nor a lienholder has objected in writing to the affiant's right to obtain title to the vehicle.
- (7) (a) If subsection (6)(b)1. of this section applies, the new ownership document shall be a title.
- (b) If subsection (6)(b)2. or 3. of this section applies, the new ownership document shall be a salvage title if the vehicle meets the requirements for a salvage title as stated in KRS 186A.520(1)(a).
- (c) If subsection (6)(b)2. or 3. of this section applies and the vehicle does not meet the requirements for a salvage title as stated in KRS 186A.520(1)(a), the new ownership document shall be a title.
- (8) No more than two (2) active security interests may be noted upon a certificate of title.
- (9) In noting a security interest upon a certificate of title, the county clerk shall ensure that the certificate of title bears the lienholder's name, mailing address and zip code, the date the lien was noted, the notation number, and the county in which the security interest was noted. The clerk shall obtain the information required by this subsection for notation upon the certificate of title from the title lien statement described in KRS 186A.195 ~~to be provided to the county clerk by the secured party~~.
- (10) For all the costs incurred in the notation and discharge of a security interest on the certificate of title, the county clerk shall receive the fee prescribed by KRS 64.012. The fee prescribed by this subsection shall be paid at the time of submittal of the title lien statement described in KRS 186A.195.
- (11) A copy of the application, certified by the county clerk, indicating the lien will be noted on the certificate of title shall be forwarded to the lienholder.

➔Section 10. KRS 186A.205 is amended to read as follows:

Whenever a security interest is assigned as provided by KRS 186.045(4), the county clerk ~~of a county that is operating under automated procedures~~ shall~~, in addition to carrying out his requirements stated therein,~~ enter the record of lien assignment into *the system of record established under Section 6 of this Act*~~the automated system~~ in the manner directed by the Department of Vehicle Regulation.

➔Section 11. KRS 186A.210 is amended to read as follows:

- (1) When a security interest has been discharged under the provisions of KRS 186.045(3), the county clerk shall discharge the security interest and remove the lien information from AVIS.
- (2) When a security interest has been discharged as provided by KRS 186.045(4), the county clerk ~~of a county that is operating under automated procedures~~ shall, upon receiving a termination statement, within five (5) days enter the record of termination into *the system of record established under Section 6 of this Act*~~the automated system. The automated system shall be programmed to allow a county clerk in a county where the termination statement was not received to access the automated system to determine the county and date that the record of termination was entered into the automated system. The clerk of the county where the termination statement was received shall then release the lien recorded upon the title in the manner directed by the Department of Vehicle Regulation~~, and take such other action with respect to a termination as is directed by the Department of Vehicle Regulation.

➔SECTION 12. A NEW SECTION OF KRS CHAPTER 281 IS CREATED TO READ AS FOLLOWS:

(1) *A U-Drive-It who becomes an approved entity as defined in Section 1 of this Act may use the electronic title application and registration system established under Section 2 of this Act to:*

- (a) *Apply for initial or renewal registration on vehicles in its fleet; or*
- (b) *Submit the appropriate fees and taxes to maintain permanent registration on vehicles in its fleet in accordance with Section 13 of this Act.*

(2) *The cabinet shall promulgate administrative regulations in accordance with KRS Chapter 13A to set forth procedures for holders of U-Drive-It certificates who meet the definition of an approved entity under Section 1 of this Act to access the electronic title application and registration system for initial or renewal registration and payment of annual fees and taxes on permanent registrations.*

➔SECTION 13. A NEW SECTION OF KRS CHAPTER 186A IS CREATED TO READ AS FOLLOWS:

(1) *The cabinet shall establish procedures whereby an owner or lessee of fleet vehicles may be issued permanent fleet registration plates for vehicles in its fleet.*

(2) *The owner of a fleet of motor vehicles shall, upon application in the manner and at the time prescribed and upon approval by the department, payment of ad valorem taxes under KRS Chapter 132, and registration fees under KRS 186.040 or 186.050, be issued permanent fleet license plates. Except for U-Drive-It vehicles described in subsection (3)(b) of this section, vehicles with a fleet license plate shall have the company's name or logo and unit number displayed on the vehicle so that they are readily identifiable.*

(3) (a) *Except as provided in paragraph (b) of this subsection, fleet plates, which shall be of a distinctive color, shall have the word "Fleet" appearing at the bottom, the word "Kentucky" appearing at the top. In all other respects, fleet plates shall conform to the provisions of Section 15 of this Act.*

(b) *U-Drive-It vehicles owned by a motor vehicle renting company as defined by KRS 281.687 shall be issued regular standard issue license plates. Fleet vehicles under this paragraph shall be issued a decal by the cabinet to denote the permanent registration status of the vehicle.*

(4) *In addition to the registration fee prescribed by KRS 186.050 for initial and renewal registrations, an annual fleet management fee of two dollars (\$2) per vehicle shall be charged. A one-time license plate manufacturing fee of four dollars (\$4) shall be charged for plates issued for the established number of vehicles in the fleet. All fees collected under this section shall be deposited into the road fund.*

(5) *Payment of ad valorem taxes and registration fees shall be made annually and shall be evidenced only by the issuance of a single receipt by the cabinet. The provisions of Section 14 of this Act requiring a registration receipt be kept in the vehicle shall not apply and no annual registration decal shall be required for vehicles registered in accordance with this section.*

(6) *If a recipient of fleet license plates fails to pay all annual registration fees and ad valorem taxes on vehicles in its fleet properly and in a timely manner, the cabinet may impose a delinquency penalty of:*

(a) *Ten percent (10%) of the delinquent taxes and fees due, if the failure is for not more than thirty (30) days; and*

(b) *An additional ten percent (10%) penalty for each additional thirty (30) days, or fraction thereof, that the failure continues, not to exceed a total penalty of one hundred percent (100%) in the aggregate.*

(7) *All recipients of fleet license plates authorized by this section shall provide the department with an annual vehicle reconciliation and shall annually surrender all unassigned license plates. Failure to comply with this subsection may result in fines of up to one thousand dollars (\$1,000) for each occurrence or in suspension or termination from the fleet program.*

(8) *The cabinet shall promulgate administrative regulations in accordance with KRS Chapter 13A to set forth procedures for:*

(a) *Fleet vehicle owners to apply to the cabinet for permanent registration for their fleet vehicles in accordance with this section; and*

(b) *Fleet vehicle owners who qualify as approved entities under Section 1 of this Act to access the electronic title application and registration system for registration renewal and payment of annual fees and taxes on permanent registrations.*

➔Section 14. KRS 186.170 is amended to read as follows:

- (1) Except as provided in this subsection, **Section 13 of this Act**, and ~~in~~ KRS 186.045, the owner shall have the receipt issued by the cabinet through the county clerk constantly in his possession, and shall display the registration plate conspicuously upon the rear of the motor vehicle, except that the registration plate upon a semitrailer-tractor shall be displayed upon the front of the tractor. The owner's copy, or a reproduced copy thereof, of the registration receipt of every motor vehicle, except motorcycles, licensed under KRS 186.050 shall be kept in the vehicle at all times and shall be available for inspection. Plates shall be kept legible at all times and the rear plate shall be illuminated when being operated during the hours designated in KRS 189.030. No rim, frame, or other covering around the plate shall in any way obscure or cover any lettering or decal on the plate; except that, any owner who objects to the display of a trademark of a private corporation which appears on the registration plate shall be entitled to receive a set of decals from the county clerk in his *or her* county of residence to cover the trademark of the private corporation. The owner may apply for the decal by presenting his *or her* certificate of registration either at the time of registration renewal or later. The county clerk shall charge a three dollar (\$3) clerk's fee for issuing the decal set if it is applied for a time other than at registration renewal. If the cabinet has prescribed that plates shall continue in use, it shall each year, in addition to the registration receipt, select and give to the owner as further evidence of registration some insignia which may conveniently be attached permanently and conspicuously to the motor vehicle during each registration year. It shall be the duty of the owner to attach the insignia in the prescribed manner and no person may operate a motor vehicle unless the insignia is affixed upon it. The cabinet shall have placed on the insignia either figures, letters, writing, marks, or a combination thereof, which indicate that the motor vehicle has been registered and which in conjunction with the records of the cabinet make identity of the registrant readily ascertainable.
- (2) The registration year for commercial vehicles, trailers, semitrailers, mobile homes, and recreational vehicles shall be from April 1 to March 31.
- (3) At the discretion of the vehicle owner, the title to a motor vehicle may be held in the system and subsequently printed and mailed to the owner at the owner's request.

➔Section 15. KRS 186.240 is amended to read as follows:

- (1) It shall be the duty of the cabinet to carry out the provisions of KRS 186.005 to 186.260, and:
- (a) Provide to the clerk in each county access to all forms provided for in KRS 186.005 to 186.260;
 - (b) Keep a numerical record of all registration numbers issued in the state and also keep a record of motor or vehicle identification numbers required by KRS 186.160; and
 - (c) Furnish to each clerk, originally each year upon estimate, and thereafter upon requisition at all times, a sufficient supply of standard, noncommercial plates and the supplies necessary to provide evidence of registration for all classes of vehicles required to be registered.
 - (d) Prescribe a plate of practical form and size for police identification purposes that shall contain:
 1. The registration identifier;
 2. An indication that Kentucky is the issuing jurisdiction;
 3. For standard plates for noncommercial vehicles, the county in which the plate is issued;
 4. For plates for commercial vehicles, the year the license expires and words or information the Department of Vehicle Regulation may prescribe by administrative regulation, pursuant to KRS Chapter 13A; and
 5. At the discretion of the cabinet, a state slogan.
- (2) **Except as provided in Section 13 of this Act**, license plates issued pursuant to this chapter shall conform to the provisions of subsection (1)(c) and (d) of this section. The Transportation Cabinet shall provide for the issuance of reflectorized plates for all motor vehicles, and shall collect a fee, in addition to the fee set out in KRS Chapter 186 and KRS 281.631, of fifty cents (\$0.50). The fifty cents (\$0.50) fee to reflectorize license plates shall be used by the cabinet as provided in subsection (3) of this section.
- (3) The reflectorized license plate program fund is established in the state road fund and appropriated on a continual basis to the cabinet to administer the moneys as provided in this subsection. The fifty cents (\$0.50) fee collected by the cabinet to reflectorize license plates shall be deposited into the program fund and used to issue reflectorized license plates. If at the end of a fiscal year, money remains in the program fund, it shall be

retained in the fund and shall not revert to the state road fund. The interest and income earned on money in the program fund shall also be retained in the program fund to carry out the provisions of this subsection. The Transportation Cabinet shall issue reflectorized license plates under the provisions of this subsection on a schedule to be determined at the discretion of the cabinet.

- (4) Except as directed under subsection (3) of this section, the Transportation Cabinet shall receive all moneys forwarded by the clerk in each county and turn it over to the State Treasurer for the benefit of the state road fund.
- (5) The Transportation Cabinet shall require an accounting by the clerk in each county for any moneys received by him *or her* under the provisions of this chapter, after the deduction of his *or her* fees under this chapter, and for all receipts, forms, plates, and insignia consigned to him *or her*. The Auditor of Public Accounts, pursuant to KRS 43.071, shall annually audit each county clerk concerning his *or her* responsibilities for the collection of various fees and taxes associated with motor vehicles. The secretary of the Transportation Cabinet, with the advice, consultation, and approval of the Auditor, shall develop and implement an inventory and accounting system which shall insure that the audits mandated in KRS 43.071 are performed in accordance with generally accepted auditing standards. The Transportation Cabinet shall pay for the audits mandated by KRS 43.071.
- (6) When applied for under KRS 186.060 or 186.061, motor or vehicle numbers assigned shall be distinctive to show that they were designated by the cabinet.

➔Section 16. KRS 186.020 is amended to read as follows:

- (1) Before the owner of a motor vehicle~~[, other than a motor vehicle engaged in the transportation of passengers for hire operating under a certificate of convenience and necessity,]~~ may operate it or permit its operation upon a highway, the owner shall apply for registration in accordance with administrative regulations promulgated by the cabinet, except that a person who purchases a motor vehicle, or brings a motor vehicle into the Commonwealth from another state shall make application for registration within fifteen (15) days. The bill of sale or assigned title must be in the motor vehicle during this fifteen (15) day period. If the owner of a motor vehicle is an individual and resides in the Commonwealth, the motor vehicle shall be registered with the county clerk of the county in which he *or she* resides. If the owner of a motor vehicle does not reside in the Commonwealth, the motor vehicle shall be registered with the county clerk of the county in which the motor vehicle is principally operated. If the owner of a motor vehicle is other than an individual and resides in the Commonwealth, the motor vehicle shall be registered with the county clerk of either county. The application when presented to the county clerk for registration shall be accompanied by:
 - (a) A bill of sale and a manufacturer's certificate of origin if the application is for the registration of a new motor vehicle;
 - (b) The owner's registration receipt, if the motor vehicle was last registered in this state;
 - (c) A bill of sale and the previous registration receipt, if last registered in another state where the law of that state does not require the owner of a motor vehicle to obtain a certificate of title or ownership;
 - (d) A certificate of title, if last registered in another state where the law of that state requires the owner of a motor vehicle to obtain a certificate of title or ownership;
 - (e) An affidavit from an officer of a local government saying that the motor vehicle has been abandoned and that the provisions of KRS 82.630 have been complied with, for local governments which elect to use the provisions of KRS 82.600 to 82.640; and
 - (f) The application from a person who has brought a motor vehicle into the Commonwealth from another state shall be accompanied by proof that the motor vehicle is insured in compliance with KRS 304.39-080.
- (2) After that, except as provided in subsection (6) of this section, the owner of any motor vehicle registered under KRS 186.050(1) or (2) shall register his *or her* motor vehicle on or before the date on which his *or her* certificate of registration expires. If, before operating the motor vehicle in this state, the owner registers it at some later date and pays the fee for the full year, he or she will be deemed to have complied with the law. Insofar as the owner is concerned, registration with the clerk shall be deemed to be registration with the cabinet.
- (3) After that, the owner of any commercial vehicle registered under KRS 186.050(3) to (14) shall register the commercial vehicle on or before April 1 of each year. If, before operating a commercial vehicle in this state, the owner registers it at some later date and pays the required fee, he or she will be deemed to have complied

with the law. Insofar as the owner is concerned, registration with the clerk shall be deemed to be registration with the cabinet, except the owner of any commercial motor vehicle to be registered pursuant to the International Registration Plan under KRS 186.050(13) shall register the commercial motor vehicles on or before the last day of the month of registration established pursuant to KRS 186.051(3).

- (4) The application and documents presented therewith, including the sheriff's certificate of inspection, shall be affixed to the Transportation Cabinet copy of the certificate of title or registration and sent to the Transportation Cabinet by the clerk.
- (5) At least forty-five (45) days prior to the expiration of registration of any motor vehicle previously registered in the Commonwealth as provided by KRS 186A.035, the owner of the vehicle shall be notified by mail on the same notice required by KRS 134.805(5) of the date of expiration. In addition, the department shall provide appropriate forms and information to permit renewal of motor vehicle registration to be completed by mail. Any registration renewal by mail shall require payment of an additional two dollar (\$2) fee which shall be received by the county clerk. Nonreceipt of the notice herein shall not constitute a defense to any registration related offense.
- (6)
 - (a) If an individual has been serving in the United States military stationed or assigned to a base or other location outside the boundaries of the United States, he or she shall renew the registration on the vehicle within thirty (30) days of his or her return if:
 1. The motor vehicle has been stored on a military base during the time of deployment and has not been operated on the public highways during that time; and
 2. The vehicle's registration expired during the individual's absence.
 - (b) An individual who meets the criteria in paragraph (a) of this subsection shall not be convicted or cited for driving a vehicle with expired registration within thirty (30) days after the individual's return to the Commonwealth if the individual can provide proof of meeting the eligibility criteria under paragraph (a) of this subsection.
 - (c) When an individual presents evidence of meeting the criteria under paragraph (a) of this subsection when applying to renew the registration on the motor vehicle, the county clerk shall, when applicable, treat the registration as a prorated renewal under KRS 186.051, and charge the individual a registration fee only for the number of months of the registration year the vehicle will be used on the public highways.
- (7) ***The provisions of this section shall not apply to vehicles for which permanent registration has been obtained pursuant to Section 13 of this Act.***

➔Section 17. KRS 186A.080 is amended to read as follows:

No Kentucky certificate of registration, license plate, or certificate of title need be applied for or obtained for:

- (1) A vehicle owned by the United States unless it is registered in this state;
- (2) A vehicle owned by a nonresident of this state, principally operated in another state, properly and currently registered and titled in another state;
- (3) A vehicle regularly engaged in the interstate transportation of persons or property for which a currently effective lawful certificate of title has been issued in another state;
- (4) A vehicle moved solely by animal power;
- (5) An implement of husbandry;
- (6) Special mobile equipment;
- (7) A self-propelled wheelchair or invalid tricycle;
- (8) A pole trailer;
- (9) ~~{A motor vehicle engaged in the transportation of passengers for hire operating under a currently valid certificate of convenience and necessity;~~
- ~~(10)~~—}A moped; and
- (10)**~~{(11)}~~ An electric low-speed scooter as defined in KRS 189.010.

➔Section 18. KRS 186A.060 is amended to read as follows:

- (1) The Department of Vehicle Regulation is directed to develop, in cooperation with county clerks, auto dealers, and the Department of Revenue, Department of Insurance, and Department of Kentucky State Police, the forms required to record all information pertinent to the ~~initial~~ registration, ~~for~~ titling, and taxation~~, or transfer of registration or title~~ of a vehicle.
- (2) The Department of Vehicle Regulation shall make every effort to minimize and reduce the amount of paperwork required to apply for, or transfer, a vehicle title. When possible, the title document itself shall be used as the primary form used to effect a transfer of vehicle ownership. The title document shall contain space exclusively reserved for a minimum of two (2) dealer assignments.
- (3) When no in-state title exists, forms shall be designed by the department that require only the appropriate and essential information to effect the application for title.
- (4)
 - (a) The department shall constantly review the information needs of government agencies and other organizations with the goal of reducing or eliminating unnecessary documentation. Information being sought for application for title relevant to, but not limited to, vehicle identification, owner, buyer, usage tax, county clerk, or inspector shall be set forth by the cabinet in such a way as to promote flexibility in reaching this goal.~~, except that~~
 - (b) An applicant for a motor vehicle title shall ~~not~~ be required to provide his or her ***Kentucky operator's license number, Kentucky personal identification card number, or*** Social Security number as part of the application process.
 - (c) ***Any vehicle owned by a business that is licensed by the Secretary of State shall be titled using a federal employee identification number.***
- (5) The use of an electronic medium shall be employed so that forms can be printed by the automated system. Existing statutory language in this chapter and KRS Chapter 186 pertaining to application, signature, forms, or application transfer record may be construed to be electronic in nature at the discretion of the cabinet as provided for by administrative regulation.
- (6) Any person who knowingly enters, or attests to the entry of, false or erroneous information in pursuit of a certificate of title shall be guilty of forgery in the second degree.

➔Section 19. This Act takes effect January 1, 2024.

Signed by Governor March 17, 2022.