

Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 761—Chapter 405
“Salvage and Other Title Designations”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 321.52(4), 321.52(5), and 321.69(12)
State or federal law(s) implemented by the rulemaking: Iowa Code sections 321.1, 321.13, 321.24(4), 321.24(5), 321.24(6), 321.52, 321.69, 321H.2, and 322G.12; and 28 CFR 25.54

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

September 27, 2024
2 to 2:30 p.m.

[Microsoft Teams Link](#)
Or dial: 515.817.6093
Conference ID: 256 985 764

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis. Written or oral comments in response to this Regulatory Analysis must be received by the Department of Transportation no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

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Purpose and Summary

The purpose of Chapter 405 is to outline clear standards for vehicle owners, buyers, sellers, insurers, and dealers regarding the titling and registration process for vehicles with title designations other than regular, such as “salvage,” “junk,” and “rebuilt.” The chapter implements the Department’s express authority under Iowa Code sections 321.24(5) and 321.24(6) to require out-of-state title designations when a vehicle has incurred prior damage; to determine the manner in which other states’ rebuilt, salvage, or other designations are to be indicated on Iowa titles; and determine whether a “rebuilt” or “salvage” designation supersedes another designation.

The purpose of the chapter is also to outline procedures for the conduct of “salvage theft examinations” as required under Iowa Code section 321.52. This section requires the owner of a “salvage” designated vehicle to repair the vehicle and have a salvage theft examination performed by a specially certified peace officer before the owner may be issued a regular certificate of title to ensure that the parts used to repair the vehicle were lawfully obtained.

The chapter will provide individuals and businesses transparency and clarity on how to convert a foreign (out-of-state) vehicle into Iowa and how to convert a vehicle with a “salvage” designation to a “rebuilt” status, and robust consumer protection measures by ensuring vehicle records checks are in place so that unknowing individuals or fraudulent actors cannot conceal prior damage on a vehicle by converting to a clean title.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

- Classes of persons that will bear the costs of the proposed rulemaking:

There are no costs or fees associated with this chapter beyond the underlying statutory costs. Rather, the underlying statute requires certain vehicle title designations and requires salvage theft examinations in certain situations. These proposed rules simply describe the processes and documentation needed to title and register a vehicle with branding designations.

- Classes of persons that will benefit from the proposed rulemaking:

Vehicle buyers will benefit from the rules by having knowledge of the vehicle's value, condition, and history prior to purchasing the vehicle (via the title designation, if any). Title designations, and records checks of foreign vehicles to confirm the presence of title designations, protect consumers from the downstream effects of purchasing a potentially unsafe or falsely over-valued vehicle.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- Quantitative description of impact:

The proposed rules have no quantitative impact beyond the collection of statutory fees required under Iowa Code section 321.52(4). This section sets fees for salvage theft examinations.

A salvage, rebuilt, etc. designation on a vehicle's title may reduce the vehicle's value (i.e., if it is "rebuilt" versus a never-salvaged vehicle), but any change in value is attributable to the vehicle's history, not the title designation that merely describes the history.

- Qualitative description of impact:

The proposed rules provide consumer protection benefits by establishing a consistent process related to vehicle title designations and conducting salvage theft examinations. The proposed rules provide vehicle buyers with transparency regarding the value and condition of the vehicle and provide the consumer protection safeguard that parts used to rebuild a salvaged vehicle are not stolen.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:

The Department incurs costs to provide salvage theft examination training and certification for law enforcement officers (four to six classes per year), and law enforcement officers incur time costs for completing the training. The Department incurs costs via staff time to complete vehicle records checks. However, these costs are attributable to the underlying requirements in Iowa Code sections 321.24 and 321.52.

- Anticipated effect on state revenues:

There are no anticipated effects on state revenues, other than the fees established in the underlying statute (Iowa Code section 321.52(5)) for salvage theft examinations.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

There is no benefit to inaction. Rather, there is a substantial risk to vehicle owners, sellers, buyers, dealers, and insurers by inaction. Eliminating the records check process prior to titling a vehicle from out of state would permit unknowing individuals or fraudulent actors to conceal prior damage on a vehicle by converting to a clean title and could result in many negative downstream consequences to future vehicle buyers and operators.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

There are no less costly or intrusive methods for achieving the purpose of the proposed rules.

All states adopt title designations to indicate a vehicle's prior damage history and all states participate in the National Motor Vehicle Titling Information System (NMVTIS) to complete vehicle history records checks. This proposed chapter follows national best practices outlined in the American Association of Motor Vehicle Administrators "Salvage and Junk Vehicle: Best Practice Recommendations for Jurisdictions on Branding and Handling Salvage, Rebuilt Salvage, Junk, and Flood-Damaged Vehicles" (December 2019).

The only less intrusive/costly method that could be adopted would be to change the underlying statute. However, in the few states that do have less restrictive laws (Kentucky and South Dakota), those states experience larger amounts of fraud and consumer complaints, which have severe negative consequences for consumers in those states and consumers from other states who buy vehicles from that state.

6. Alternative methods considered by the agency:

- Description of any alternative methods that were seriously considered by the agency:

There were no alternative methods seriously considered due to the proposed rules' alignment with the underlying statutory authority and national best practices.

- Reasons why alternative methods were rejected in favor of the proposed rulemaking:

Not applicable.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

There is no small business impact. The proposed rules apply equally to personally owned vehicles as well as vehicles owned by a business. The same eligibility and application criteria apply and cannot be further reduced or simplified for small businesses.

Text of Proposed Rulemaking

ITEM 1. Rescind 761—Chapter 405 and adopt the following **new** chapter in lieu thereof:

CHAPTER 405 SALVAGE AND OTHER TITLE DESIGNATIONS

761—405.1(321,322G) Applicability and information.

405.1(1) This chapter applies to motor vehicles subject to Iowa Code sections 321.24, 321.52, 321.69, and 322G.12.

405.1(2) Information regarding this chapter may be obtained by mail from the Motor Vehicle Division, Iowa Department of Transportation, 6310 SE Convenience Boulevard, Ankeny, Iowa 50201; by email at central.vehicle@iowadot.us; or on the department's website at www.iowadot.gov/mvd/vehicleregistration.

761—405.2(321,321H) Definitions.

405.2(1) The definitions in Iowa Code section 321.1 are hereby adopted. In addition:
“*Authorized vehicle recycler*” means a person licensed under Iowa Code chapter 321H.

“*Bill of sale*” means a document provided by the seller to the buyer containing the name, contact information of the seller, a description and identification number of the component part and, if applicable, the vehicle identification number (VIN) of the vehicle from which it was removed.

“*Foreign jurisdiction*” means a jurisdiction other than Iowa.

“*New motor vehicle dealer*” means a dealer licensed under Iowa Code chapter 322 to sell new motor vehicles that have not been sold “at retail” or previously registered in this or any other state.

“*Regular foreign title*” means a certificate of title issued by a foreign jurisdiction that allows the vehicle to be driven or moved upon a highway and is not designated as “salvage.”

“*Regular Iowa title*” means an Iowa certificate of title that is not a salvage title.

“*Salvage title*” means either an Iowa or a foreign salvage title unless otherwise specified.

“*Salvage theft examination certificate*” means a certificate, including an electronic certificate in the form and manner prescribed by the department, issued by a peace officer who has been specially certified to conduct salvage theft examinations as provided in Iowa Code section 321.52.

“*Wrecked or salvage vehicle*” means a damaged motor vehicle that:

1. Has repair costs exceeding 70 percent of its fair market value before it became damaged, and
2. Had a fair market value of \$500 or more before it became damaged.

405.2(2) Fair market value, for the purposes of this chapter, is to be determined by the motor vehicle division using any of the following: a bill of sale, an appraisal conducted by a motor vehicle dealer or a third-party appraiser, or a commercially available motor vehicle pricing guide.

761—405.3(321) Salvage title.

405.3(1) *Face of title.* Except for vehicles with a gross vehicle weight rating of 30,000 pounds or more, the word “SALVAGE” is to be printed on the face of an Iowa salvage title.

405.3(2) *Assignment.* A salvage title may be assigned only as provided in Iowa Code section 321.52(4). Except as provided in subrule 405.3(3), the transferee to whom a salvage title is assigned shall, within 30 days after the date of assignment, apply for a new Iowa salvage title, a regular title, or an Iowa junking certificate.

405.3(3) *Reassignment.* If a vacant reassignment space is available on the salvage title, a licensed new motor vehicle dealer or an authorized vehicle recycler may reassign the salvage title, and the dealer or recycler is not required to obtain a new Iowa salvage title. If all reassignment spaces on a salvage title assigned to the dealer or recycler have been used, the dealer or recycler is required to obtain a new Iowa salvage title in accordance with subrule 405.3(2). The words “ONLY NEW MOTOR VEHICLE DEALERS OR RECYCLERS MAY REASSIGN THIS TITLE” are to be printed on the dealer reassignment portion of Iowa salvage titles.

405.3(4) *Registration fees.*

a. An Iowa salvage title may be obtained without payment of the current registration fees or any delinquent registration fees or registration penalties. If the registration fees are delinquent at the time an Iowa salvage title is issued, no additional penalties accrue after issuance.

b. Any registration fees or registration penalties due at the time of issuance of an Iowa salvage title, together with the current registration fees if not already paid, are to be paid upon issuance of a regular title. However, a dealer is not required to pay current registration fees to obtain a regular title for a vehicle held for resale or trade. See rule 761—400.27(321,322) for any exceptions.

c. Notwithstanding any provision of this chapter to the contrary, an Iowa salvage title obtained by an insurer pursuant to the provisions under Iowa Code section 321.52(4) will be issued free and clear of all liens and claims of ownership, including any outstanding registration fees or registration penalties.

405.3(5) *Plates.* Registration plates shall not be assigned when an Iowa salvage title is issued.

405.3(6) *Application.* Application for an Iowa salvage title shall be made within 30 days after the date of assignment to the transferee.

761—405.4(321) Converting salvage title to regular title.

405.4(1) *Rebuilt designation.* When a person converts a salvage title to a regular title under Iowa Code section 321.52(4), a regular title and registration receipt issued will bear the designation “REBUILT-IA.”

405.4(2) *Insurer’s certification.* An insurer who has a title under Iowa Code section 321.52(4) may submit an insurer’s certification in lieu of a salvage theft examination certificate.

a. An acceptable insurer’s certification will:

(1) Include the name and address of the insurance company and the VIN, year and make of the salvage titled vehicle.

(2) Include a statement by the insurer certifying that the retail cost of repairs for all damages to the vehicle is less than \$3,000.

(3) Be dated and signed by an authorized representative of the insurer.

b. The insurer’s certification is not transferable if the insurer assigns the salvage title to another owner.

c. A regular title and registration receipt issued pursuant to this subrule is not required to have a designation of “REBUILT-IA.” However, rule 761—405.7(321) applies to carry forward any designation on the title and registration receipt.

761—405.5(321) Foreign vehicles.

405.5(1) *Definitions.* The following definitions apply to foreign titles and the designations shown on them.

“*Junked*” is any designation from a foreign jurisdiction that means the vehicle is damaged or dismantled and is prohibited from ever again being driven upon a highway.

“*Rebuilt*” means the vehicle had been designated or titled as salvage but had the designation removed or was subsequently issued a regular title, and the vehicle is permitted to be driven and moved upon a highway.

“*Salvage*” means the vehicle is designated or titled as salvage or the vehicle is damaged and shall not be registered to be driven or moved upon a highway until it is no longer designated or titled as salvage.

405.5(2) *Foreign title with rebuilt designation.* If the prior title for a vehicle is a foreign title indicating that the vehicle was rebuilt, the Iowa title and registration receipt issued will contain the designation of “rebuilt” together with the two-letter abbreviation of the name of the jurisdiction that issued the foreign title. However, if a records check indicates that the vehicle was previously titled in Iowa with a designation of “prior salvage,” the Iowa title and registration receipt issued shall contain the designation of “REBUILT-IA.” If a records check indicates that the vehicle was previously titled in Iowa with a designation of “REBUILT-IA,” the “REBUILT-IA” designation takes precedence and is to be carried forward to the Iowa title and registration receipt.

405.5(3) *Converting foreign salvage title to Iowa title.* If the prior title for a vehicle is a foreign title indicating that the vehicle is salvage, a regular Iowa title is not to be issued for the vehicle unless an Iowa salvage title is first issued. After an Iowa salvage title is issued for the vehicle, a regular Iowa title may be obtained pursuant to Iowa Code section 321.52(4) and rule 761—405.4(321). However, as provided in Iowa Code section 321.24(5), an owner who surrenders a foreign salvage title and obtains a salvage theft examination pursuant to Iowa Code section 321.52(4)“*b*” within 30 days of the date the owner was assigned the foreign salvage title is not required to first obtain an Iowa salvage title.

405.5(4) *Salvage titled vehicle leaving and reentering Iowa.* If a vehicle leaves Iowa with an Iowa salvage title and reenters Iowa with a regular foreign title, a regular Iowa title may be issued without a salvage theft examination. The regular Iowa title and registration receipt issued from the foreign title will be designated:

a. With the word “rebuilt” plus the two-letter abbreviation of the name of the jurisdiction that converted the salvage designation to a regular title, even if the foreign title does not indicate that the vehicle was rebuilt.

b. As specified in subrule 405.5(2), if the foreign title indicates that the vehicle was rebuilt.

405.5(5) *Designation carried forward.* If a vehicle leaves Iowa with a regular Iowa title and reenters Iowa with a regular foreign title and if the foreign title does not indicate that the vehicle was rebuilt and if a records check indicates that the vehicle had a designation listed in paragraphs 405.7(1) “a” through “f,” that designation shall be carried forward to the Iowa title and registration receipt issued from the foreign title.

405.5(6) *Foreign title with flood, fire, vandalism, or theft designation.* If the prior title for a vehicle is a foreign title indicating that the vehicle was damaged by flood, fire, or vandalism or is a recovered stolen vehicle and another designation is not required under this rule or rule 761—405.7(321), the Iowa title and registration receipt issued from the foreign title shall contain, as applicable, the designation of “flood,” “fire,” “vandalism,” or “theft.”

405.5(7) *Foreign title with a lemon buy-back designation.* See rule 761—405.7(321).

405.5(8) *Junking certificate.* For all vehicles subject to Iowa titling laws, an Iowa junking certificate is to be issued if either of the following applies:

a. The prior title for a vehicle is a foreign title indicating that the vehicle was junked, regardless of any other designation on the title, or

b. A records check for a vehicle with a foreign title indicates that the vehicle should have been or has been junked as defined in subrule 405.5(1).

761—405.6(321) Records check. Before a title is issued in Iowa, an electronic records check may be made pursuant to 28 CFR 25.54 (October 1, 2023). The purpose of the records check is to determine if the vehicle:

405.6(1) Has, ever had, or should have had a “salvage,” “prior salvage,” “rebuilt,” “damage over 70 percent,” “flood,” “fire,” “vandalism,” “theft,” “lemon buy-back,” or equivalent designation(s) on a previous title. If such a designation is or should have been on a previous title, the Iowa title to be issued shall contain the designation required by this chapter.

405.6(2) Is or was ever a wrecked or salvage vehicle as defined in Iowa Code section 321.52. If a vehicle is a wrecked or salvage vehicle, an Iowa salvage title shall be issued. If the vehicle was a wrecked or salvage vehicle, the Iowa title to be issued shall contain the appropriate designation required by this chapter.

405.6(3) Should have been or was ever junked as defined in subrule 405.5(1). If the vehicle should have been or was ever junked, an Iowa junking certificate shall be issued.

761—405.7(321,322G) Designations.

405.7(1) The following designations for a vehicle shall be used on Iowa titles and registrations receipts and will be carried forward to all subsequent Iowa titles and registration receipts issued for the vehicle unless otherwise specified:

a. *REBUILT-IA.* This designation supersedes other designations. When a designation of “REBUILT-IA” is required pursuant to rule 761—405.4(321), it replaces any other designation.

b. *Rebuilt together with a two-letter abbreviation of the name of a foreign jurisdiction.* When this designation is required pursuant to subrule 405.5(2), it replaces any other designation except a “REBUILT-IA” designation.

c. *Damage over 50 percent.* The designation shall be used for applicable vehicle transfers and Iowa title and registration issuances occurring prior to July 1, 2021.

d. *Damage over 70 percent.* As required by Iowa Code section 321.69, a designation of “damage over 70 percent” shall be used when the seller or the buyer indicates on the damage disclosure statement that the person has knowledge that the motor vehicle sustained damage for which the cost of the repair exceeded 70 percent of the fair market value before the motor vehicle became damaged. This designation replaces any other designation except “rebuilt.”

e. *Flood, fire, vandalism or theft.* The most recent designation applies. Unless superseded by a “REBUILT-IA,” “rebuilt,” “damage over 50 percent” or “damage over 70 percent” designation, a

designation of “flood,” “fire,” “vandalism” or “theft” shall be used as specified in subrule 405.5(6) and supersedes a “lemon buy-back” designation.

f. Lemon buy-back. Unless superseded by a “REBUILT-IA,” “rebuilt,” “damage over 50 percent,” “damage over 70 percent,” “flood,” “fire,” “vandalism” or “theft” designation, a designation of “lemon buy-back” shall be used:

(1) When a certificate of title is issued to a manufacturer of a motor vehicle pursuant to Iowa Code section 322G.12.

(2) When the prior certificate of title for a motor vehicle is a foreign title indicating that the vehicle was returned to the manufacturer pursuant to Iowa Code chapter 322G or a law of another state similar to Iowa Code chapter 322G.

405.7(2) An Iowa salvage title will be issued with a designation of “salvage” unless a designation listed in subrule 405.7(1) is required.

761—405.8(321) Salvage theft examination. Except for foreign salvage titles assigned to licensed new motor vehicle dealers, authorized vehicle recyclers, or educational institutions, a salvage theft examination may only be conducted on a vehicle with an Iowa salvage title. The vehicle is not to be examined until it has been completely repaired, except for minor body parts such as trim, body marking or paint.

405.8(1) General procedure. In addition to requirements in Iowa Code section 321.52(4) “d,” the following procedures apply to salvage theft examinations:

a. An applicant may request a salvage theft examination by contacting an investigator of the department’s motor vehicle division and identity protection by email at invbureau@iowadot.us, on the department’s website at www.iowadot.gov/biip, or by contacting an Iowa local law enforcement agency.

b. The applicant is to bring the following documents to the inspection:

(1) The repair affidavit under Iowa Code section 321.52(4) “d,” which may be found on the department’s website and is to be submitted in an electronic format to the department or the Iowa local law enforcement agency.

(2) The permit authorized in Iowa Code section 321.52(4) “d” to operate the vehicle to and from the examination location, which must be printed and signed by the owner and kept in the vehicle to be considered valid.

(3) A bill of sale for all component parts replaced.

c. Payment for the salvage theft examination is to be made electronically and is due at the time the examination is scheduled. If the examination is not completed within three years from the date the affidavit and payment were submitted, a new fee is due.

d. The peace officer shall return to the owner upon completion of the examination the following: the salvage title or the certified copy of the salvage title, the permit to drive on the repair affidavit (if applicable), and the bills of sale.

405.8(2) Certificates. Upon completion of the examination, the salvage theft examination certificate will be completed electronically. However, if a peace officer finds it necessary to use a physical salvage theft examination certificate, the salvage theft examination certificate is to be a controlled form furnished by the department.

a. The owner of the vehicle may obtain a copy of the salvage theft examination certificate upon written request to the department.

b. The salvage theft examination certificate is not transferable to a different party or owner.

These rules are intended to implement Iowa Code sections 321.1, 321.13, 321.24, 321.52, 321.69, 321H.2, and 322G.12; and 28 CFR 25.54.