20 November 2023

TO: Iowa Legislative Services Agency

FROM: Iowa Department of Transportation

RE: Minimum Value Threshold for Vehicles Requiring a Bond – Pre-file Legislative Bill Request

**Background and Current Law:**

Under existing Iowa law, applicants for a new certificate of title and registration are generally required to show a manufacturer’s certificate of origin or a certificate of title properly assigned to them. These documents demonstrate that the applicant is the lawful owner of the vehicle.

Any person who cannot show proper ownership of a motor vehicle is required to obtain a surety bond as a condition of titling and registering the vehicle. The bond costs $100 or more (depending on the value of the vehicle) and is issued in the amount of one and one-half times the current value of the vehicle. If no prior owner or lienholder makes a claim on the bond, the bond and any deposit is returned to the title holder after three years. If a prior owner or lienholder makes a claim, the bond provides funds to compensate them.

This can be time-consuming and doesn’t always make financial sense for low-value vehicles. The time, money, and effort to complete the title bond process may outweigh the worth of the vehicle. Because of this, some customers abandon the process and operate the vehicle without valid title/registration.

**Solution:**

Change Iowa Code 321.24 to eliminate the requirement that an applicant file a bond if the vehicle value is $1,000 or less and 12 years or older. This recommended change is consistent with another Iowa Code section regarding vehicle recycling, and is a practice adopted by many other states for these vehicle types.

**Goal:**

Eliminate barriers and enhance customer service for people who want to legally drive a low-valued vehicle for purposes of employment or school and increase DOT efficiencies.