

A Bill for an Act Relating to Vehicle Title Transfers.

Be It Enacted by the Legislature of the State of Hawaii:

SECTION 1. The legislature finds that when an automobile transfer is made in the State and title is transferred from an owner to a buyer, the transfer is not considered complete until the county receives certain documentation from the vehicle's new owner, the transferee. Until that occurs, the vehicle remains legally registered to the original owner, the transferor. As a result, the transferor may be liable for parking tickets, traffic infractions, and other civil or criminal liabilities even though the transferor no longer retains possession of the vehicle. Meanwhile, the transferee will not be held legally or financially responsible for violations arising out of the transferee's operation of the vehicle. This situation is unfair and frustrating for transferors, and ripe for abuse and exploitation by transferees. Years' worth of news reports, including a July 2024 article in the Honolulu Star-Advertiser, demonstrate that this problem continually plagues motorists.

The legislation further finds that the State's vehicle title transfer law already includes language establishing that when a transferor complies with the portions of the statute applying to transferors, the transferor is released from liability arising out of the operation of the transferred motor vehicle. Despite this provision, transferors continue to incur liability. Other states, such as Texas, have addressed this issue by inserting statutory language that clarifies the steps a transferor can take to avoid such liability.

Accordingly, the purpose of this Act is to:

- (1) Clarify that proof that a transferor has filed required notice forms with the county director of finance serves as a complete defense to any action brought against the transferor for an act or omission, civil or criminal, arising from the use, operation, or abandonment of the vehicle by another person; and
- (2) Require, by July 1, 2026, the judiciary to determine whether new forms or modification of the judiciary's website is necessary to assist vehicle transferors and, if so, to create the forms or modify the website.

SECTION 2. Section 286-52, Hawaii Revised Statutes, is amended to read as follows:

"§286-52 Procedure when title or interest of vehicle transferred; delivery of certificate mandatory[-]; complete defense. (a) Upon a transfer of the title or interest of a legal owner in or to a vehicle registered under this part, the person whose title or interest is to be transferred and the transferee shall write their signatures with pen and ink upon the certificate of ownership issued for the vehicle, together with the addresses of the person whose title or interest is to be transferred and the transferee in the appropriate spaces provided upon the certificate. The signature of the person whose title or interest is to be transferred and signature of the transferee shall each serve as an attestation by that respective party that the information provided on the certificate is correct. Any person who provides false or fraudulent information under this subsection shall be fined no less than \$500 and no more than \$1,000.

(b) Within thirty calendar days thereafter, the transferee shall forward the certificate of ownership so endorsed to the director of finance who shall file the same; provided that if the recorded lien holder does not have an office in the

State, the applicable period shall be sixty days. Whenever a transferee fails to comply with these provisions, the director of finance shall charge a fee of \$50, in addition to the fee provided in section 286-51, for a new certificate of ownership.

(c) Subsection (b), requiring a transferee to forward the certificate of ownership after endorsement to the director of finance, shall not apply to the transferee of a vehicle who was not intending to and does not drive the vehicle or permit the vehicle to be driven upon the public highways, but the transferee, upon transferring the transferee's interest or title to another, shall give notice of the transfer to the director of finance and endorse the certificate of ownership to the new legal owner and the certificate of registration to the new owner. If the director of finance has ascertained as of the date of the application that the registered owner has not deposited or paid bail with respect to any summons or citation issued to the registered owner for stopping, standing, or parking in violation of traffic ordinances within the county or has outstanding charges and fines owed to the county relating to the disposition of an abandoned vehicle under the registered owner, including for costs related to towing, storage, processing, and disposal, the director may require, as a condition precedent to the transfer, that the registered owner deposit or pay bail with respect to the summons or citations or pay all outstanding charges and fines relating to the disposition of the abandoned vehicle; provided that payment of all outstanding charges and fines relating to the disposition of the abandoned vehicle shall not be a condition precedent to the transfer if the abandoned vehicle was stolen or taken from the registered owner without permission or authorization and a police report for the abandoned vehicle is filed within a period of time, to be determined by the director of finance of each county, after discovery of the abandoned vehicle.

(d) The director of finance~~[-]~~ shall, upon receipt of the certificate of ownership properly endorsed, ~~[shall]~~ register the vehicle, and shall issue to the owner and legal owner entitled thereto by reason of the transfer a new certificate of registration and the certificate of ownership, respectively, in the manner and form hereinabove provided for original registration.

(e) Until the director of finance has issued the new certificate of registration and certificate of ownership as provided in subsection (d) ~~[provided]~~, delivery of the vehicle shall be deemed not to have been made and title thereto shall be deemed not to have passed, and the intended transfer shall be deemed to be incomplete and not to be valid or effective for any purpose, notwithstanding any provision of the Uniform Commercial Code; provided that a security interest in a motor vehicle shall be perfected as provided in the Uniform Commercial Code, section 490:9-311 and that the validity, attachment, priority, and enforcement of the security interest shall be governed by Article 9 of the Uniform Commercial Code.

(f) In the event of the transfer by operation of law of the title or interest of a legal owner in and to a vehicle registered under this part, as upon inheritance, devise, bequest, order in bankruptcy, insolvency, execution sale, repossession upon default in performance of the terms of a lease or executory sales contract, or otherwise than by the voluntary act of the person whose title or interest is so transferred, the certificate of ownership shall be signed upon the spaces provided by the personal representative, receiver, trustee, sheriff, or other representative, or successor in interest of the person whose title or interest is so transferred in lieu of that person. Every personal representative, receiver, trustee, sheriff, or other representative or successor hereinabove referred to shall file with the director of finance a notice of any transfer by sale, lease, or otherwise by the person, of the vehicle, together with evidence satisfactory to the director of finance of all facts entitling the person to make the transfer. Upon notice given to the director of finance that transfer by operation of law of the title or interest of a legal owner or

a registered owner has been effected pursuant to any provision of law, the director of finance shall send to the legal owner or the registered owner or both a notice by registered mail of the action and requesting the delivery to the director of finance of the certificate of ownership or the certificate of registration, as the case may be, within ten days after date of mailing of the notice, and any person who refuses or neglects to deliver the same to the director of finance pursuant to the notice shall be guilty of a misdemeanor and punished as provided in section 286-61.

(g) Nothing in the foregoing subsections shall prevent a legal owner from assigning the title or interest in or to a vehicle registered under this part to another legal owner at any time without the consent of and without affecting the interest of the holder of the certificate of registration thereof. Upon filing with the director of finance [ef] a certificate of ownership endorsed by the legal owner and a transferee of legal ownership, the director of finance shall, regardless of whether the certificate of registration has expired, enter the name of the new legal owner upon the records of the director's office and shall forthwith issue a new certificate of ownership to the new legal owner in the form for original registration. Upon so doing, the director of finance shall send to the registered owner a notice by mail of the action.

(h) Any person who refuses or neglects to deliver a certificate of ownership to a transferee entitled thereto under this part[.] shall be punished as provided in section 286-61.

(i) Every dealer, upon transferring a motor vehicle, whether by sale, lease, or otherwise, shall immediately give notice of the transfer to the director of finance upon the official form provided by the director of finance. Each notice shall contain the date of the transfer, the names and addresses of the transferor and transferee, and a description of the vehicle as may be called for in the official form.

(j) Every person, other than a dealer, upon transferring a motor vehicle, whether by sale, lease, or otherwise, shall within ten days give notice of the transfer to the director of finance upon the official form provided by the director of finance. Every notice shall contain the date of transfer, the names and addresses of the transferor and transferee, and a description of the vehicle as may be called for in the official form. Any person who violates this subsection shall be fined no more than \$100.

(k) Whenever the registered owner of any motor vehicle or any licensed dealer has given notice to the director of finance of a transfer of the title or interest in the motor vehicle, as provided in subsection (i) or (j), and has delivered the certificate of ownership bearing the transferor's signature to the transferee as required by subsection (a), the transferor shall be relieved from any liability, civil or criminal, from the date the transferor delivers the motor vehicle into the transferee's possession, which the transferor might otherwise subsequently incur by reason solely of being the registered owner of the vehicle.

(l) A licensed dealer who has forwarded a properly endorsed certificate of ownership to the director of finance shall be relieved of any civil liability[.] from the date the transferor delivers the motor vehicle into the transferee's possession, which the transferor might otherwise subsequently incur by reason solely of being the registered owner of the vehicle; provided that a specific written authorization to forward the certificate has been obtained from the transferee.

(m) Any person who falsely or fraudulently gives notice to the director of finance of a transfer of title or interest in a motor vehicle shall be subject to the penalty provided in section 286-61.

(n) Any organization that receives a motor vehicle as a charitable donation shall be deemed, upon receipt of the motor vehicle, to be a transferee for purposes of this section and shall be subject to all of the applicable rights, responsibilities, and liabilities of a transferee under this section.

(o) Proof by the transferor that the transferor has filed the notice form in subsection (i) or (j) shall serve as a complete defense to any action brought against the transferor for an act or omission, civil or criminal, arising from the use, operation, or abandonment of the vehicle by another person after the transferor's filing of the notice form; provided that a copy of the form shall serve as proof of the filing of the form.

(p) A transferor who submits false or fraudulent information to complete the provisions of this section requiring action by the transferor shall be fined not less than \$500 and not more than \$1,000."

SECTION 3. No later than July 1, 2026, the judiciary shall:

- (1) Determine whether it is necessary to either:
 - (A) Create a new court form; or
 - (B) Modify the judiciary's website to provide more information, relating to transferors responding to actions arising from the use, operation, or abandonment of transferred vehicles; and
- (2) If the judiciary answers paragraph (1) in the affirmative, create the new forms or modify the website accordingly.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act shall take effect upon its approval.

(Approved May 29, 2025.)