

**Expanded CVISN  
HVUT Ad Hoc Team  
October 5, 2006  
Conference Call Notes**

**Participants:**

Tim Adams, Valerie Barnes, Carolyn Barr, Jaki Berry, Rick Craig, Beju Ekperigin, Joe Foster, Ramona Henby, John Jabas, Dianne Jackson, Keith Kennedy, Rhonda Lucas, Nancy Magnusson, Robert McCain, Nancy McCorkle, John Myett, Mick Ramirez, Joe Shewmaker, Karen Singh, Anthony Velez, DJ Waddell

**Welcome and Introduction**

Val Barnes welcomed all of the participants. She reminded the team to request a password for access to the Commercial Vehicle Information Systems and Networks (CVISN) Collaboration SharePoint site administered by JHU/APL. If you already received an initial password, remember to change it soon, because they expire 35 days after generation. **Soon all announcements will be posted on the site, and you will need to subscribe to receive e-mail notifications.** For access to the CVISN Collaboration site, please contact [Nancy.Magnusson@jhuapl.edu](mailto:Nancy.Magnusson@jhuapl.edu).

It was noted that Linda Morris and Debra Hall will no longer be participating on the HVUT ad hoc team. It was also noted that DJ Waddell will be substituting for Valerie Barnes at APL as the primary leader of the ad hoc team over the next few months.

**Status of Past Action Items**

Anthony Velez reviewed the status of the action items identified during the ad hoc team's conference call on August 21, 2006. Items were reported as follows:

- Linda Morris will contact Gloria Williams regarding action items and minutes/results captured from the HVUT Compliance workshop held on August 15-17, 2006, at FHWA.
  - **Status:** There was no new information on this item. This item will be reviewed on the next teleconference.

**IRP Industry Advisory Committee meeting**

- Tim Adams reported that a productive HVUT discussion was held last week at the IRP Industry Advisory Committee meeting in Pittsburgh, PA. At the meeting, John Myett provided an overview to participants regarding what has been accomplished through the IRS's work with the HVUT ad hoc team. Tim noted that Carole Sheets from the IRS was

unable to participate in the discussion and the group was not able to obtain answers to outstanding regulatory compliance issues. Tim also noted that AAMVA has not yet received feedback from the IRS Counsel regarding the letter that was sent to IRS identifying various regulatory compliance questions that need to be resolved.

- A question was raised at the meeting about what happens in the electronic process if filing is for less than 25 vehicles in a given month. (This is an outstanding issue awaiting response from IRS regulatory compliance personnel)
  - John Myett assured the participants on the call that although the IRS mandate says that the electronic process is required only for those filing 25 or more vehicles, it will be designed for carriers filing any number of vehicles.
  - Once a carrier has initiated the electronic filing process, they must continue using that process for their filings. It was noted that the legislation on this topic is ambiguous; the intent was to deal with 25 or more cumulatively, but this is not specified in writing. John Myett's understanding of the law is that if the carrier files 25 or more vehicles cumulatively in a given year, then the carrier is subject to the electronic filing requirement.
- Another question to be addressed is that some states are requiring 2290 proof of payment on a vehicle in advance of its registration, failing to honor the 60-day exemption for newly purchased vehicles. This issue needs to be resolved with the particular state(s) that have chosen to follow this process.

## **IRS data store discussion**

John Myett led a discussion about how data will be stored in a centralized database from which states can verify that HVUT payment has been made on a particular vehicle. The discussion is summarized below:

- Depending on data requirements, there may be concerns about privacy issues. States would be more comfortable providing only vehicle specific information, not personal information.
  - The HVUT ad hoc team needs to address data storage requirements.
  - The ad hoc team still needs answers from the IRS regulatory compliance personnel about what information must be stored in the centralized data store.
- If the IRS determines that states must verify that the vehicle owner filed the 2290, the states' verification process would be different from a VIN-check, and more work needs to be done.
- It was noted that the data that IRS will supply for the states to validate against will include the tax filer's EIN.
  - In many instances, states do not track the EIN for a particular vehicle.
  - John Jabas stated that carriers provide the EIN when filing the 2290 form. The state would need to be able to determine whether the EIN is correct for the vehicle.

- Jaki Berry recommended that the database should be designed now to capture all the data that may turn out to be necessary, to avoid having to do manual processes to accommodate additional requirements or to make costly changes later.

## **VIN validation discussion**

John Myett led a discussion regarding how IRS should proceed with development of the interim solution for VIN validation. The ad hoc team must determine the minimum level of validation desired for the interim Schedule 1 solution. The discussion is summarized below:

- Based on discussion in the previous teleconference, participants had agreed that in the interim, the e-filing solution must at least validate the structure of VINs provided by the filer. VIN validation would be enhanced for future releases, and would involve interaction with an IRS data store containing states' data to validate vehicle information.
- IRS wishes to define the requirements as soon as possible for including a new data source and validating against its data.
  - If the states are unable to make a commitment that a complete set of state VIN data will be available by next summer, then it may not be included in the Release 1 solution.
  - Various options and limitations were discussed, with a wide range of opinions expressed.
  - Illinois reported that availability of VIN data from the states for use by IRS was a topic of interest during an FHWA "webinar" in June 2006. Alabama reported similarly.
  - Consensus was developed for a recommendation from the ad hoc group.
- It is the recommendation of the ad hoc team that the IRS proceed with development of validation of the VIN's structure to keep the IRS development process on schedule. The team will continue to analyze the requirements for sharing vehicle data in a centralized IRS data store and how the states will supply their data to the IRS.
  - The HVUT ad hoc team is in favor of a VIN validation solution that can eliminate most occurrences of state customers visiting the registration office only to be denied registration because of invalid vehicle data.
  - It was noted that the validation method will not necessarily catch VINs that are mistyped, but still represent a valid VIN structure. This will affect only a very small percentage of vehicles.
- A question was raised about how to address older VINs that will not validate, even though they are valid (e.g., VINs that are less than 17 characters). Must the algorithm know the difference between an old VIN and an invalid VIN?
  - It was noted that older VINs (circa 1980) would represent only a small number of vehicles still active on the road today.
  - It may not be worth the effort to design the algorithm to handle such a small number of cases.

- It is the recommendation of the ad hoc team that VIN validation failure not cause a tax return to be rejected, but rather to provide notification to the carrier that the vehicle information must be verified.
  - John Myett initially recommended that invalid VINs be rejected up-front to force the carrier to verify that they are complete and accurate. This would also assure that the data being stored in the IRS database would be accurate. Much discussion followed regarding the possible scenarios for rejection versus notification or “flagging” of questionable VINs.
  - A particular problem was noted when one or a few VINs failed validation in a filing that included many vehicles.
  - John Myett noted that the IRS currently accepts payment on unverified VINs in the paper process.
  - HVUT ad hoc team participants were satisfied with IRS providing notification to the carrier of the invalid VIN(s). It is the carrier’s choice whether they persist in going to the registration office with invalid VIN data.
- Tim Adams asked for clarification of the point at which a VIN would be validated. John Myett confirmed that generally validation would occur when the data is received by IRS, not while the tax form is being filled in.
  - Verification could be performed at the client site if the particular vendor chose to incorporate the VIN validation into the software package.
- Some states do not verify all VINs on a particular filing when the documents are submitted to the registration office.
  - If the registration authority were given notification of suspect VINs, they could target those suspected VINs.
  - One participant recommended that IRS provide a list of invalid VINs for taxpayer to present to the registration office with the Schedule 1. However, it would be at the taxpayer’s option whether to provide this supplemental document to the registration office.
  - It was discussed whether it would be beneficial to indicate on the Schedule 1 which VINs failed validation.
  - The expectation is for the future electronic process to resolve the majority of data issues (between the carrier and IRS) before the carrier presents the Schedule 1 to the registration office.
- In case of VIN validation failure at the state registration office, the registrant must resolve the problem with the IRS before registration can be completed.
  - For simple transcription errors, it is much simpler to correct the VIN with the IRS than to drop the vehicle from the fleet, register the valid ones, and then later add the invalidated vehicle back to the fleet.
  - Typically, the carrier goes to the IRS and applies for a refund for the erroneous VIN while filing for the corrected VIN, then returns to the state registration office with a complete list of correct VINs on stamped 2290s.

- This correction process is a problem when the registrant has cut it too close to the registration deadline.
- If VIN problems are not simple transcription errors, for example, if the VIN is wrong on the title, it can take weeks to get it corrected.
- It was noted that the great majority of tax filers will be using the paper process. (Only seven to eight thousand carriers are subject to the e-filing requirement for 25 or more vehicles)
  - John Myett stated that the IRS paper process is not changing. No modification to the paper process is planned.
- States prefer that the IRS implement the ability to view a flagged VIN record in the paper process and in the proposed IRS data store, and not reject any returns.
  - The flag should appear on the line of the vehicle VIN in question on the substitute Schedule 1 returned to the taxpayer.
  - The entire return and payment should be accepted.
  - Should the return still end up with an invalid VIN at time of registration, the carrier will have to correct the VIN with the IRS before completing registration.
  - In the future electronic process, a data element will be added to the IRS data store to indicate that the particular VIN record did not validate (or match a record in the database).
- Val Barnes noted a scenario for future electronic VIN validation that has not been addressed – suppose the registration form contains the correct VIN for a vehicle to be registered, but the corresponding 2290 has an invalid VIN that was accepted by the IRS.
  - State jurisdictions want the ability to search on EIN (or other substitute criteria) if not finding a VIN match in the database -- this issue will be discussed on the next teleconference.

## Next Steps

- For Release 1 - IRS will implement VIN validation using a commercial VIN checking package or build structural VIN validation capability internally. If the return has an invalid VIN, the e-filing system will not reject the return, but rather accept it and identify the invalid VIN(s) (using a flag indicator) on the electronic Schedule 1 and eventually in the IRS data store, when it is made available.
  - The only notification that the filer receives is that their Schedule 1 return has flags on it. This will be sent in addition to the Schedule 1 as an alert/addendum that includes a list of the invalid VINs.
  - IRS will continue to work with HVUT ad hoc team on a longer term solution (which includes the development of the IRS data store).
- For Release 2 (electronic verification from the state-side) - IRS needs clarification/direction from the states on the states' requirements to be able to verify HVUT payment status electronically (capabilities and information states need to be able to access).

## **New Action Items**

The following are the new action items resulting from this conference call:

- Linda Morris will contact Gloria Williams regarding action items and minutes/results captured from the HVUT Compliance workshop held on August 15-17, 2006, at FHWA. (carry-over item)

## **Next Teleconference**

Participants agreed that the next teleconference will be held on October 13, 2006, at 11:00 a.m. Eastern time.