

Motor Vehicle Advisory Bulletin: Inspection Program Replacement Fee & Emissions Inspection Fee

This bulletin describes how motor vehicle dealers should disclose inspection program replacement fees and emissions inspection fees in retail installment contracts, starting January 1, 2025.

This bulletin is just a summary. Businesses are responsible for ensuring that they review and comply with all applicable laws, not just the laws described in this bulletin.

1. What is the inspection program replacement fee?

The motor vehicle inspection program replacement fee is a \$7.50 fee paid to the state at the time of vehicle registration.

The fee replaces a fee that was previously paid to the state in connection with motor vehicle safety inspections. In 2023, the Texas Legislature passed HB 3297, which removed the general statewide requirement to obtain safety inspections in order to register noncommercial vehicles. The new law includes the \$7.50 inspection program replacement fee and went into effect on January 1, 2025.

2. What is the emissions inspection fee?

Some Texas counties continue to require emissions inspections. When the Texas Legislature removed the general statewide inspection requirement, the Legislature maintained legal authority for counties to require emissions inspections. An inspection station may charge a fee for the emissions inspection. The state or county may charge an additional fee in connection with the emissions inspection.

3. What are the general legal requirements for disclosing a fee in a credit contract?

Motor vehicle dealers should be aware of the following legal requirements for disclosing fees in a motor vehicle retail installment contract:

- **Disclosing all itemized charges:** Section 348.102 of the Texas Finance Code requires a retail installment contract to disclose each itemized charge.
- **Plain language:** Section 341.502 of the Finance Code requires motor vehicle retail installment contracts to be written in plain language. A dealer must use either a model contract adopted by rule of the Texas Finance Commission, or a contract submitted to the OCCC for plain language review.

- **Truth in Lending:** Section 348.009 of the Finance Code requires dealers to comply with the Truth in Lending Act and Regulation Z, 12 C.F.R. Parts 226 and 1026. To comply with Regulation Z, a dealer must ensure that any fees disclosed on the retail installment contract are accurate. Typically, retail installment contracts include an itemization of amount financed described by Regulation Z. Regulation Z generally requires dealers to identify each person to whom the dealer pays an amount on the consumer's behalf, although public officials or government agencies may be described using general terms. Regulation Z, 12 C.F.R. §§ 226.18(c)(1)(iii), 1026.18(c)(1)(iii).
- **Recordkeeping:** The OCCC's recordkeeping rules at Title 7, Sections 84.707 and 84.708 require a dealer to maintain documentation of fees paid to another person. Typically, this includes a title application receipt (showing taxes, title fees, registration fees, and other fees paid to the state) for each transaction, as well as an inspection receipt (showing inspection fees paid) for each transaction involving an inspection.

While there is some flexibility in how fees are disclosed, dealers are responsible for ensuring that they disclose fees accurately.

4. How should a dealer disclose the inspection program replacement fee on a credit contract?

The OCCC encourages dealers to disclose the inspection program replacement fee on a specific line labeled with "Government vehicle inspection program replacement fee" or a similar label.

The OCCC recently adopted amendments to the model Chapter 348 motor vehicle retail installment contract at 7 Texas Administrative Code § 84.809. The amended model contract contains a line labeled "Government vehicle inspection program replacement fee." Dealers may disclose the inspection program replacement fee on a specific line with a similar label.

The OCCC understands that some dealers may not currently have updated forms with a specific line for the inspection program replacement fee. One alternative approach would be to include the amount of the fee on the line labeled "Official fees paid to government agencies." If a dealer's contract does not include this line, then the dealer will need to review its retail installment contract to identify an appropriate line where the fee can be accurately disclosed. Alternatively, a dealer could disclose the inspection program replacement fee in the "Other charges" section, with text that accurately identifies the fee (e.g., "Gov't vehicle inspection program replacement fee").

Section 548.510(f) of the Texas Transportation Code specifies that the inspection program replacement fee "is not a motor vehicle registration fee." Because the Legislature has specified that the fee is not a registration fee, it would be inappropriate to disclose the fee on the line for registration fees.

5. How should a dealer disclose the emissions inspection fee on a credit contract?

The OCCC encourages dealers to disclose the emissions inspection fee paid to the station on a specific line labeled with “Vehicle emissions inspection fee” or a similar label, and to include any inspection fee paid to the state or county on a line labeled with “Official fees paid to government agencies” or a similar label.

The OCCC’s amended model contract includes a line labeled “Vehicle emissions inspection fee” and a line labeled “Official fees paid to government agencies.” As an example, if there is a retail installment transaction in which a dealer pays \$18.50 to an inspection station and \$2.75 to the state for the emissions inspection, one appropriate way to disclose the fees would be to disclose the \$18.50 on the “Vehicle emissions inspection fee” line and to include the \$2.75 on the “Official fees paid to government agencies” line.

If a dealer does not have an updated form with a “Vehicle emissions inspection fee” line, one alternative would be to disclose the fees on lines labeled “To state” and “To station” under the “Government vehicle inspection fees” label (similar to the manner in which dealers disclosed inspection fees before January 1, 2025). Alternatively, a dealer could disclose these fees on separate lines in the “Other charges” section, with text that accurately identifies the fees.

6. Where can I find additional information?

TxDMV: [“Texas Vehicle Inspection Changes Coming Soon”](#) (Sept. 2024)

TxDMV: [Registration and Title Bulletin # 005-24](#) (Dec. 2024)

TxDPS: [“Vehicle Safety Inspection Changes Take Effect January 2025”](#) (Oct. 2024)