

Department of Public Safety



Minnesota State Patrol Vehicle Crimes Unit



Report to the Legislature

January 15, 2020



Minnesota State Patrol Vehicle Crimes Unit

Legislative Report



Reporting Requirements

This report is required under 299D.11, Vehicle Crimes Unit Annual Report.

By January 15 of each year, the commissioner must submit a report to the chairs and ranking minority members of the House of Representatives and Senate Committees having jurisdiction over transportation finance on the vehicle crimes unit. At a minimum, the report must specify the following for the previous calendar year: total revenues generated by the unit; revenues deposited into state funds, listed by fund; the number of cases assigned to the unit; and the number of cases closed.

Legislative Background

In 1998, the Legislature established the Dealer Licensing and Motor Vehicle Registration Enforcement task force within the Department of Public Safety in Chapter 372, section five.

Four members of the Minnesota State Patrol (MSP) were assigned to the task force, which was identified within the MSP as the Vehicle Crimes Task Force (VCTF).

The task force was created to investigate motor vehicle sales and registrations that violate Minnesota law, specifically Minnesota Statutes, sections 168.27; 168A.30; 297B.035, subdivision 3; and 325F.664 to 325F.6643. The most common investigations pertained to unpaid motor vehicle taxes, dealer fraud related to registration fees and taxes, vehicles registered in another state because the fees are lower, motor vehicle crimes related to title fraud, and auto theft. Most cases originated with complaints from citizens; others resulted from other agencies' requests for assistance from the expert investigators on the VCTF.

In 2009, complaints from Minnesotans prompted a complicated investigation of a major fraud case involving a prominent well-known auto dealer who owned several large dealerships throughout the metro area. The result of the investigation resulted in several federal indictments and the owner sentenced to federal prison. This case exposed the serious nature of motor vehicle fraud at all levels and the serious financial impact it can have on victims as well as the state of Minnesota.

In 2010, the legislature appropriated funding (Ch. 388, Art. 3) for additional trooper assignments, changed the name of the task force to the Vehicle Crimes Unit (VCU), and expanded the mission to include investigating (1) registration tax and motor vehicle sales tax liabilities from individuals and businesses that currently do not pay all taxes owed; and (2) illegal or improper activity related to sale, transfer, titling and registration of motor vehicles. This brought the VCU up to eight troopers located throughout the state to investigate these crimes. Due to increased costs over the years, the VCU is currently staffed with six troopers.

The legislative appropriation increased in FY2020 from \$784,000 (FY 2019) to \$832,000 allowing the VCU to remain at six troopers for the time-being.



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Staffing, Organizational Structure, Roles and Responsibilities

The six VCU troopers are currently assigned throughout the state in the following locations: three are located in the metro area, one in the northern region of the state (Detroit Lakes area), one in the southern region (Rochester area), and one in the central region (St. Cloud area). The VCU is supervised by the Investigative Services Section Commander of the State Patrol who is based in Golden Valley.

Unit members rely on one another to assist in large investigations that include preparing and executing search warrants, obtaining evidence and prosecuting violators. The VCU invests considerable time educating other law enforcement agencies that might lack experience investigating complex motor vehicle fraud schemes.

A partnership with the Department of Revenue (DOR), DPS Driver and Vehicle Services division (DVS), and the Department of Commerce (DOC) that began in 2010 has expanded significantly since the VCU began operating. Members of the VCU, the DOR and DVS are currently working together on numerous cases, with each agency able to apply their expertise in a concerted effort. Without the partnerships between these agencies, most of the tax revenue being recovered would not benefit the state. Each agency relies on the others to ensure that monies owed the State of Minnesota are properly assessed and recovered by the DOR. The partners agree that each agency has been much more successful with the help of the others.

Many investigations initiated by the VCU have uncovered large-scale fraud and other criminal offenses. Other agencies have often become involved in these cases, such as the Minnesota Bureau of Criminal Apprehension, Federal Bureau of Alcohol Tobacco and Firearms, FBI, DEA, and some local agency task forces dealing with financial and other crimes.

It should be noted that many offenses referred to the VCU as “civil offenses” by other agencies have led to successful criminal prosecution at the conclusion of the VCU’s investigation.

Since the inception of the unit, the VCU and DOR have collaborated to recover in excess of \$2.5 million in Minnesota sales tax (including interest and penalties) from Limited Liability Corporation cases in Montana. (That number is based on a report from DOR and includes only LLC cases. Some revenue is not reported due to data privacy restrictions, the VCU is not privy to all information gathered during income tax cases.)

The following pages and graphics describe the primary areas of investigation for the VCU. There are two main areas of financial impact, defined as follows:

Victim impact: Direct negative financial impact on citizens (victims)

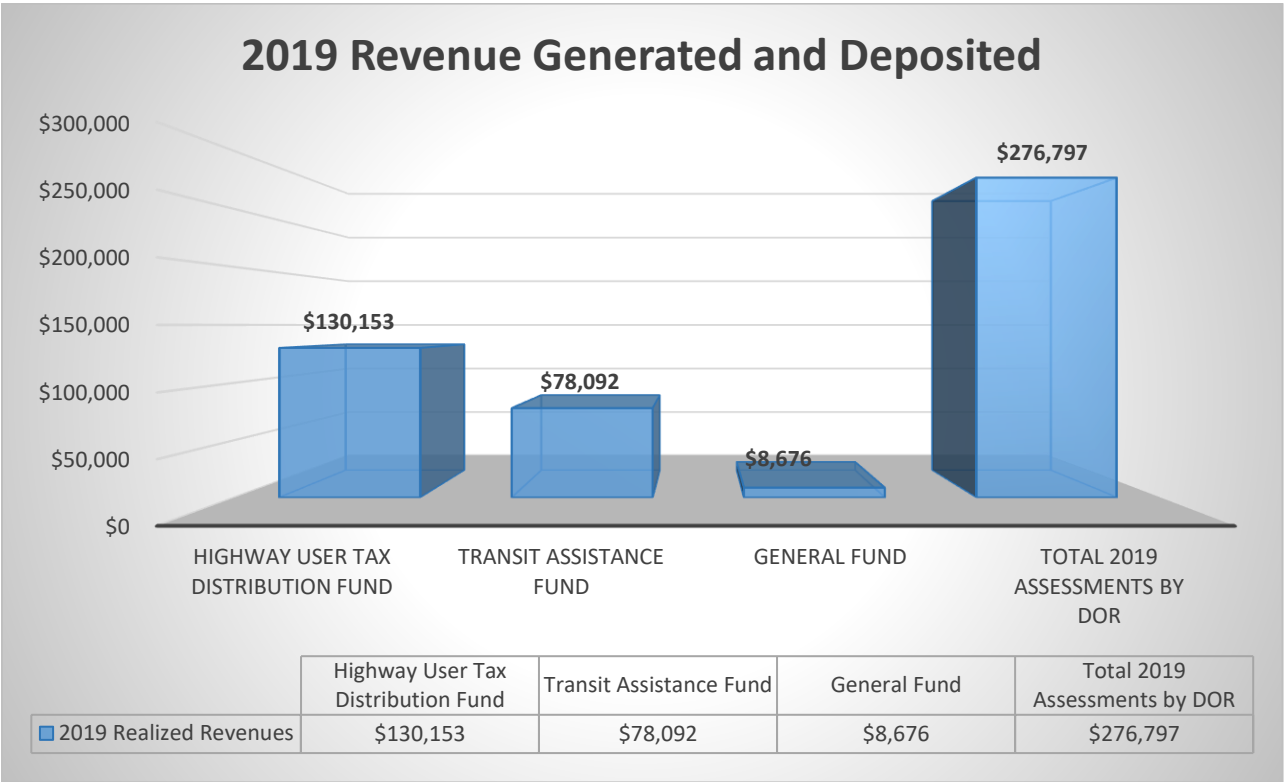
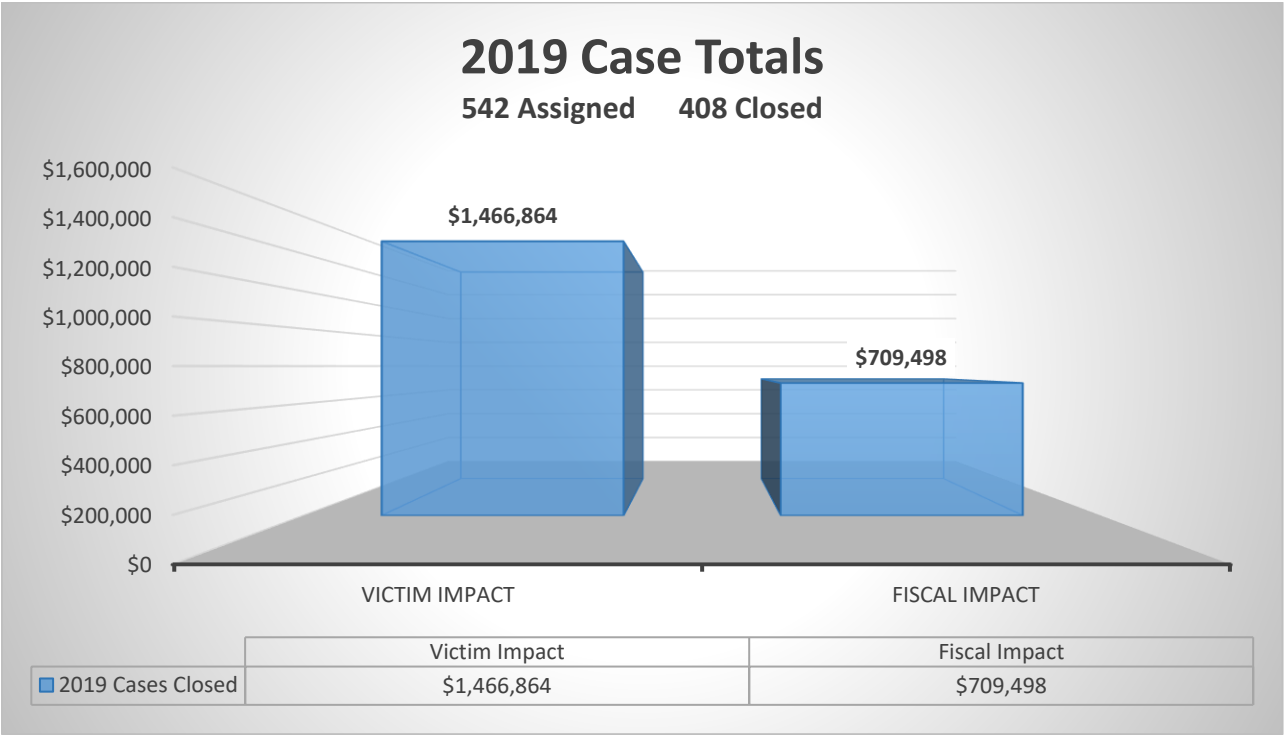
Fiscal Impact: Direct negative financial impact on the State of Minnesota

It should be noted that the overall fiscal and victim impact totals will continue to increase in future calendar years, as it may take months or years for assessments from the Department of Revenue and other sources to be collected.



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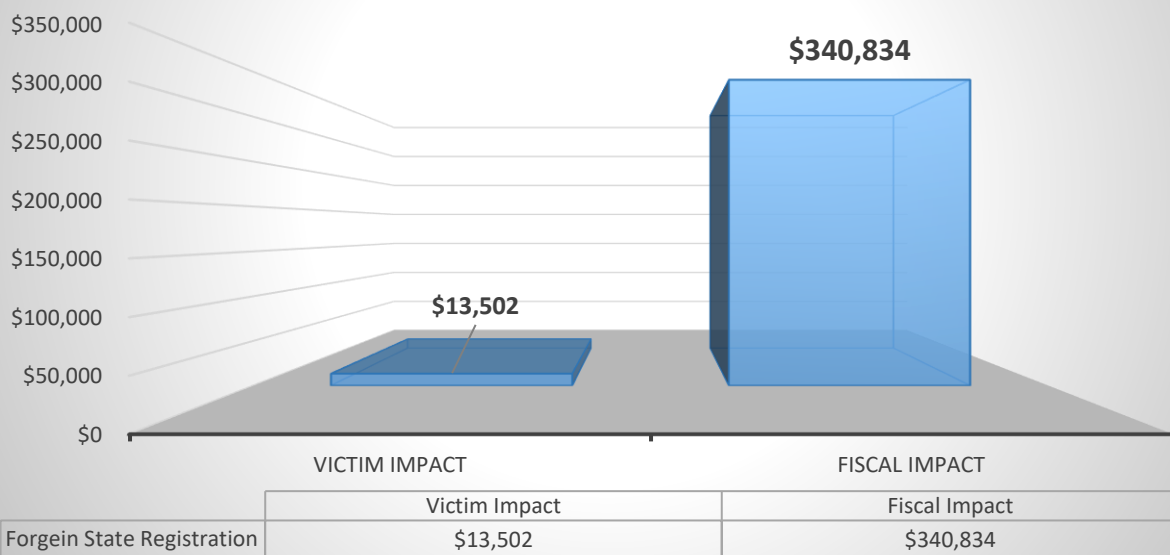
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Foreign State Registration/Registration Violations

- The practice of citizens or businesses registering their vehicles in a foreign state to avoid paying sales tax or registration fees to the State of Minnesota.
Example: Minnesota residents who register their vehicles to their cabin or other residence in a foreign state to avoid the cost of registration in Minnesota.
- Also includes businesses based outside Minnesota that have employees with vehicles domiciled and garaged in Minnesota.
- Unlawful use of license plates and/or registration.

Forgein State Registration (77 Cases Closed)





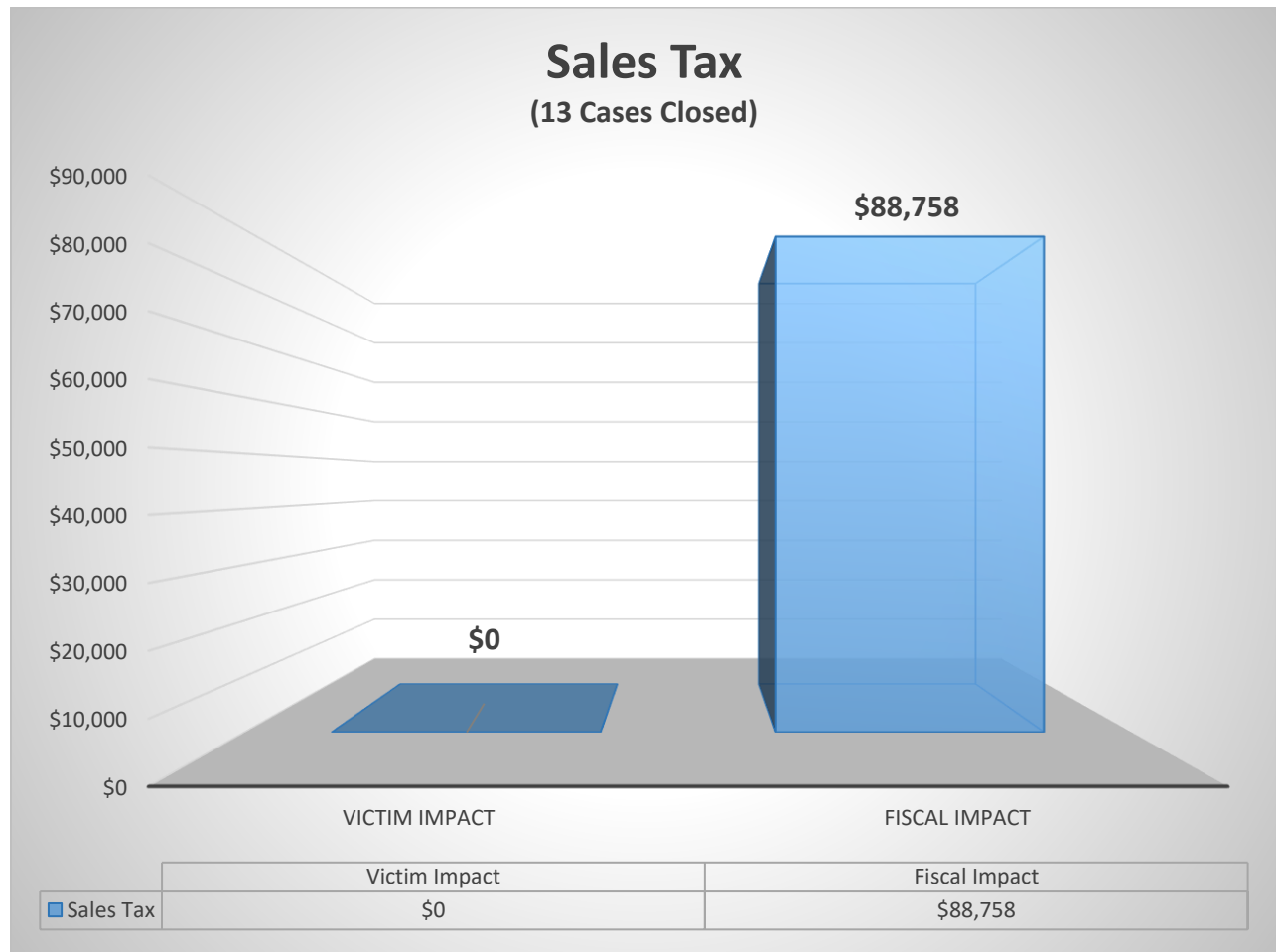
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Sales Tax

- Registering vehicles to non-existent, out-of-state companies.
- Collecting sales tax from buyers and failing to remit to the State of Minnesota.
- Sales tax fraud (created by improper sales agreements).
- Dealers who collect tax upon the sale of a vehicle but do not report the sale or remit the sales tax received to the State of Minnesota.
- Dealers who sell vehicles, then report a lower sales price to the State of Minnesota to avoid remitting all sales taxes collected from the consumer.





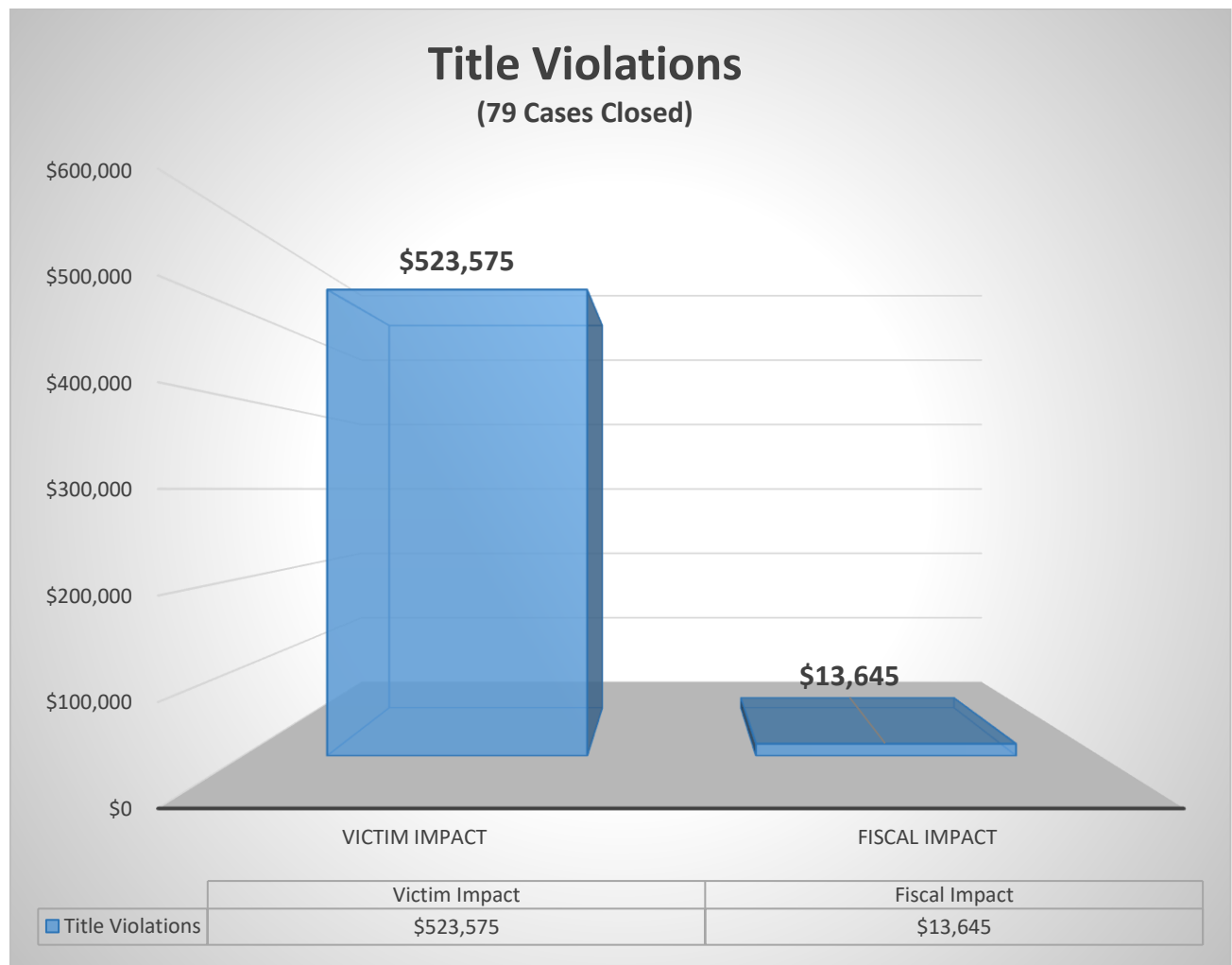
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Title Violations

- Vehicles sold by licensed dealers and private parties and the buyers cannot obtain a title.
Example: A citizen purchases a vehicle and cannot obtain a clear title. The vehicle cannot be sold, traded, refinanced or used as collateral for a loan.
- Failure to disclose salvage, prior salvage, flood or Lemon Law title brands.
- Altered/fraudulent titles presented in Minnesota.





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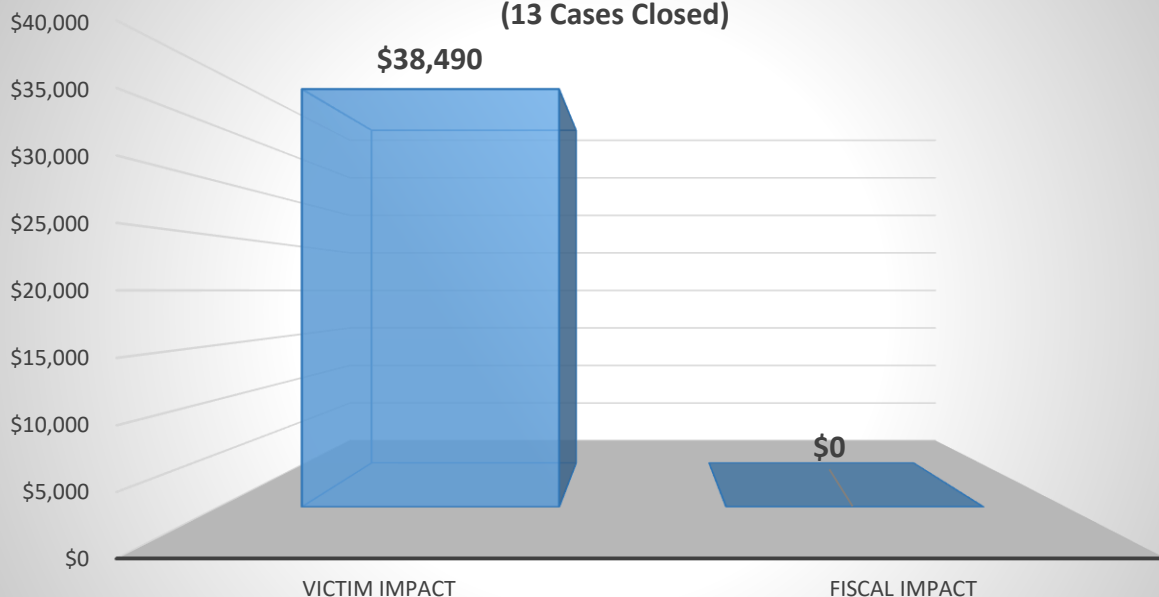


Theft by Swindle/Odometer Fraud

- Vehicles sold but never delivered.
- Vehicle sales using artifice, trickery or device to convince an unsuspecting buyer to purchase a vehicle. *Example:* Business set up to refurbish and resell vehicles; payment is required in full before the order can be placed. The vehicle is never refurbished or delivered.
- Altered mileage artificially increases the resale value of the vehicle.
- Individuals intentionally alter the vehicle's true mileage either by electronic computer-aided odometer correction tools, replacement of the odometer cluster with a lower-mileage cluster or manually adjusting an analog odometer.

Theft by Swindle/Odometer

(13 Cases Closed)



	Victim Impact	Fiscal Impact
Theft by Swindle/Odometer	\$38,490	\$0



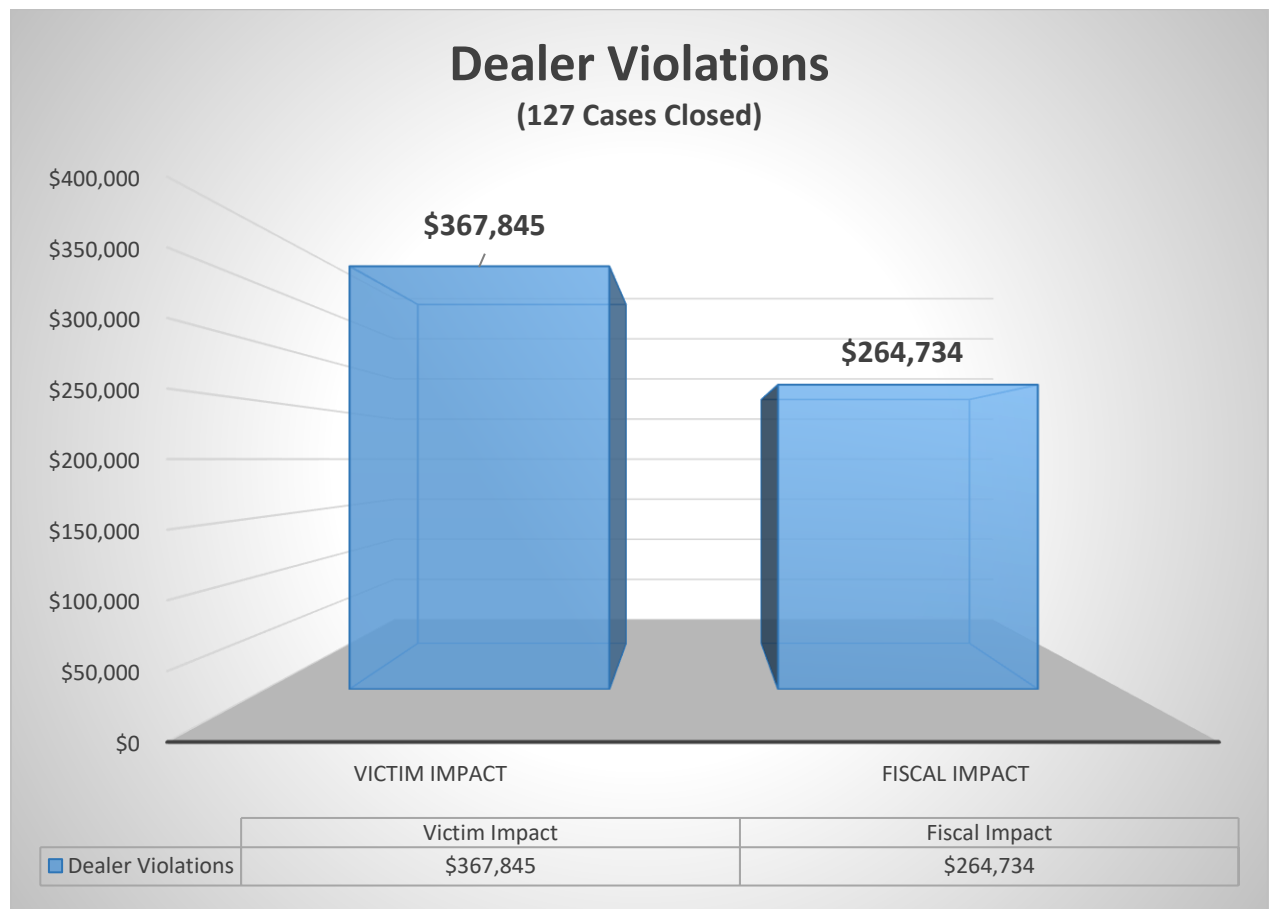
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Dealer Violations

- Cases involving new and/or used automobile dealers licensed by the State of Minnesota. *Example:* Operating outside of license class, wholesale license holder making retail sales, sales finance law violations or franchise violations.
- Cases involving the improper use of dealer plates
- Cases involving individual acting as a dealer without a valid dealer's license





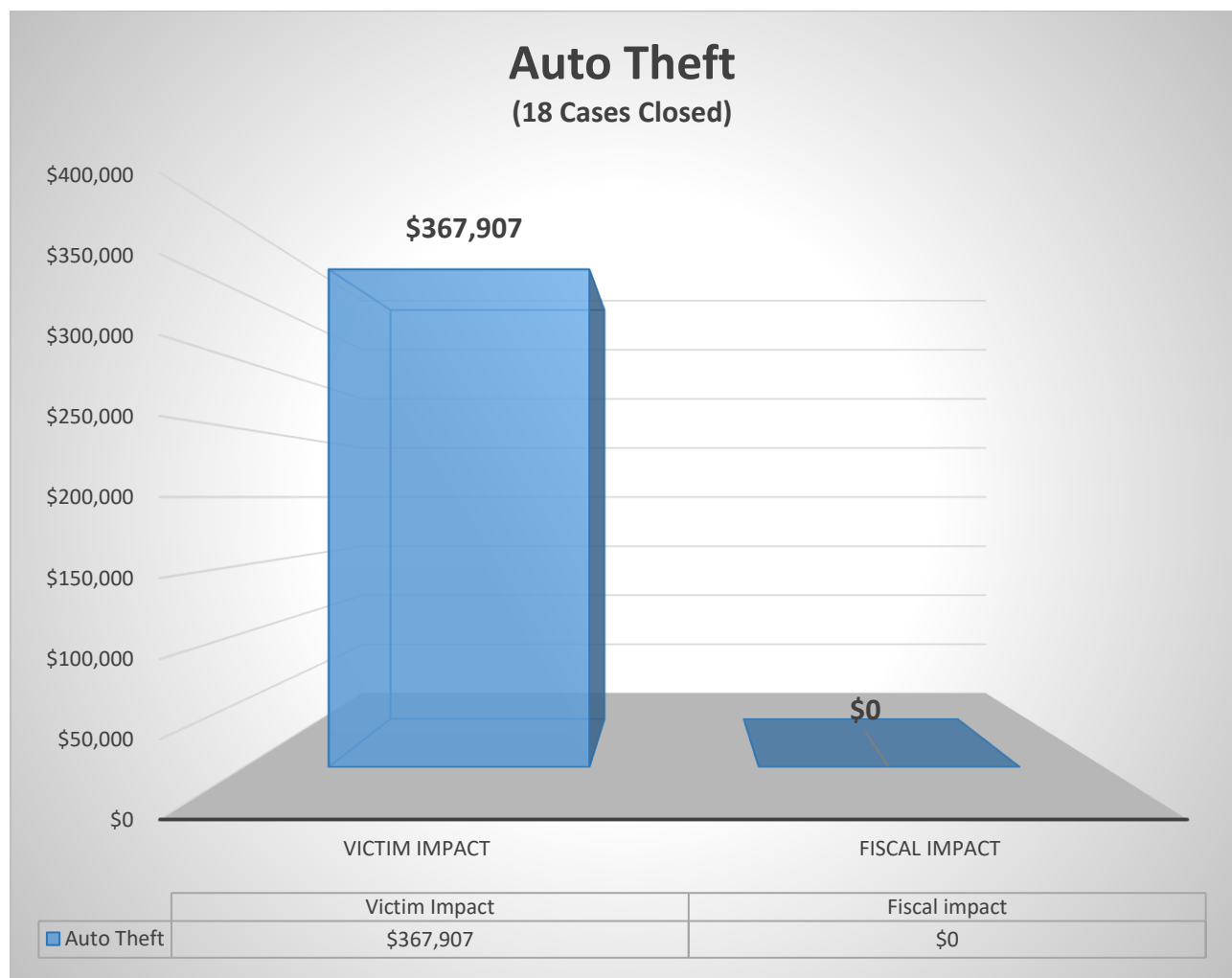
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Auto Theft

- Assist other federal, state and local law enforcement agencies with the identification of stolen and cloned vehicles.
- Provide identification and recovery of stolen and cloned vehicles by verification of the confidential Vehicle Identification Number (VIN).





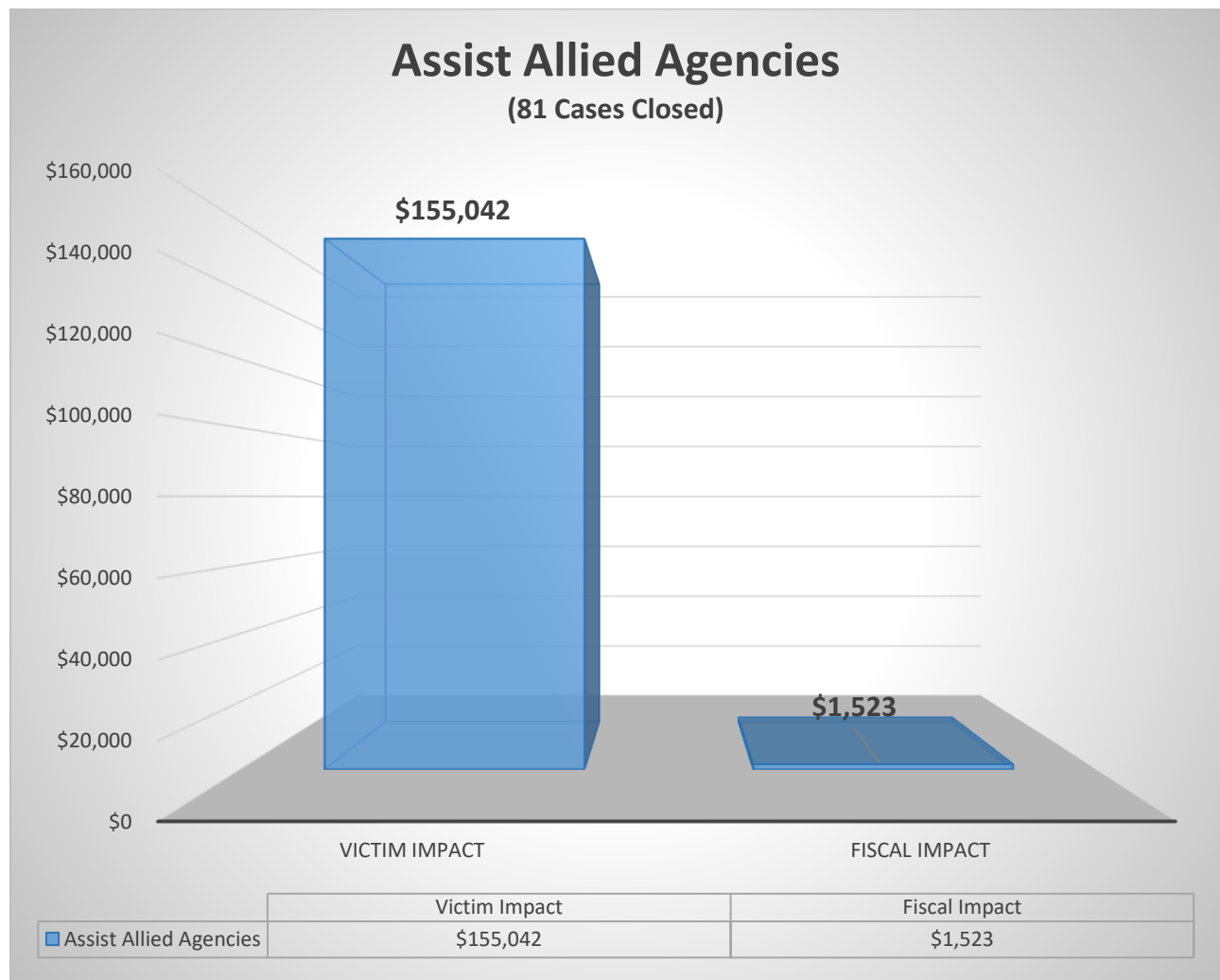
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Assist Allied Agencies

- Assists to allied agencies in the area of enforcement, education, and interpretation of applicable vehicle crimes statutes.
- Investigative assistance to allied agencies by sharing information essential to the resolution of vehicle and non-vehicle related crimes.
- Investigative assistance to allied agencies as a source of information on dealer statutes, rules and practices.



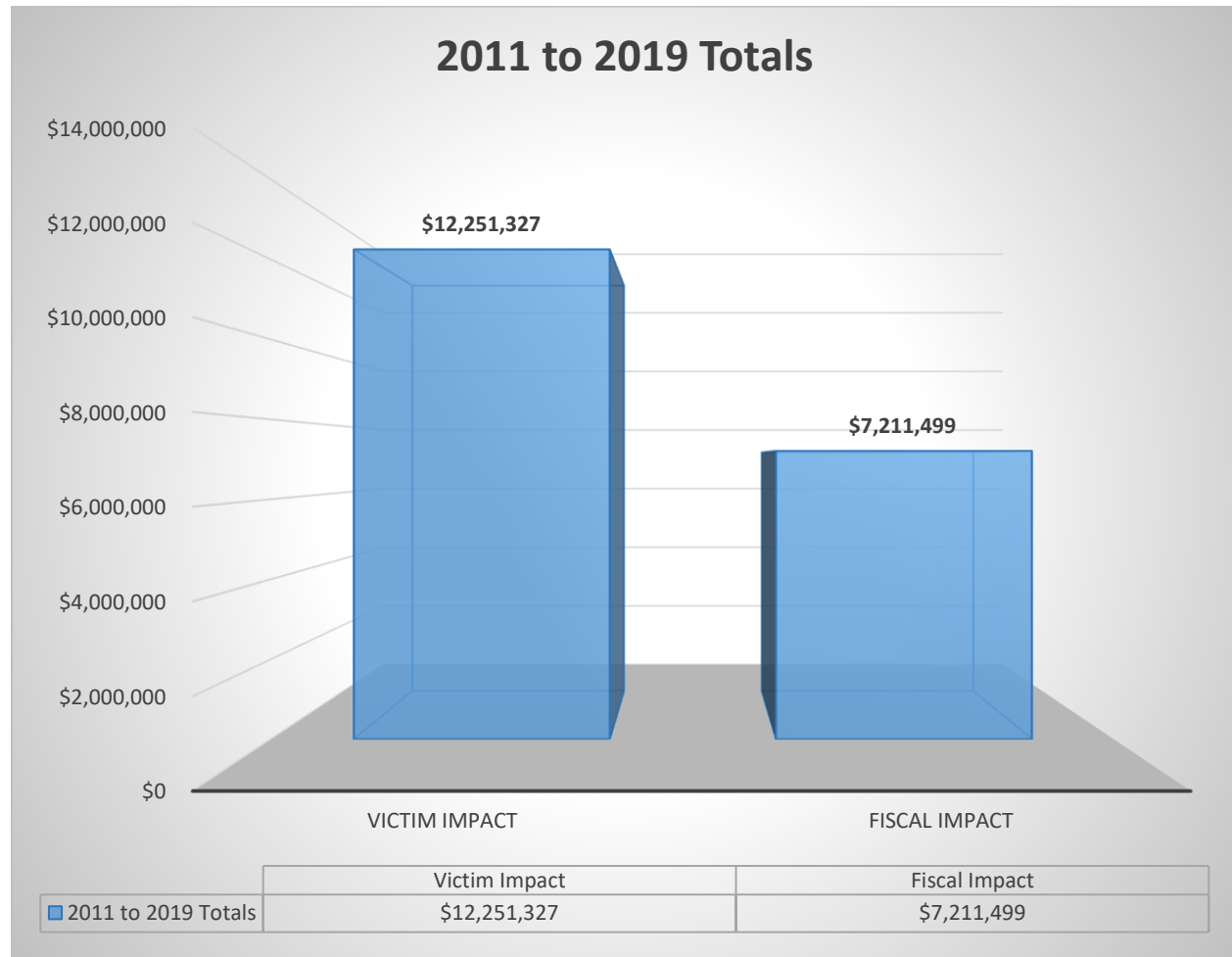


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The work of the VCU has substantially impacted vehicle crimes in the state. From the establishment of the unit in September 2011 through 2019, the combined victim and fiscal impacts generated by the six-member investigation unit totaled \$19,462,826 and has assisted 1939 citizens.



VCU Investigators are an important resource for allied agencies across the state. These investigators possess unique training, knowledge, access to information, contacts, and experience that other law enforcement investigators in the state do not. VCU Investigators work investigations, assist victims, and submit cases for prosecution that other law enforcement agencies are not equipped to handle. Countless investigative assists, as well as numerous presentations have been rendered to help educate members of other law enforcement agencies and various allied partners. VCU Investigators also coordinate with prosecutors to provide specific charging statutes and guidance when necessary.