§ 20-311. Action by the Division when notified of a lapse in financial responsibility.

(a) Action. – When the Division receives evidence, by a notice of termination of a motor vehicle liability policy or otherwise, that the owner of a motor vehicle registered or required to be registered in this State does not have financial responsibility for the operation of the vehicle, the Division shall notify the owner electronically or by mail. The notice shall inform the owner of the evidence demonstrating lapse and that the owner must respond to the notice within 10 days of the date the notice was sent. The owner's response must explain how the owner has met the duty to have continuous financial responsibility for the vehicle. Based on the owner's response, the Division shall take the appropriate action listed:

(1) Division correction. – If the owner responds within the required time and the response establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records.

(2) Penalty only. – If the owner responds within the required time and the response establishes all of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section:
   a. The owner had a lapse in financial responsibility, but the owner now has financial responsibility.
   b. The vehicle was not involved in an accident during the lapse in financial responsibility.
   c. The owner did not operate the vehicle or allow the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.

(3) Penalty and revocation. – If the owner responds within the required time and the response establishes either of the following, the Division shall assess the owner a penalty in the amount set in subsection (b) of this section and revoke the registration of the owner's vehicle for the period set in subsection (c) of this section:
   a. The owner had a lapse in financial responsibility and still does not have financial responsibility.
   b. The owner now has financial responsibility even though the owner had a lapse, but the response also establishes any of the following:
      1. The vehicle was involved in an accident during the lapse.
      2. The owner operated the vehicle during the lapse with knowledge that the owner had no financial responsibility for the vehicle.
      3. The owner allowed the vehicle to be operated during the lapse with knowledge that the owner had no financial responsibility for the vehicle.

(4) Penalty and revocation for failure to respond. – Except as otherwise provided in this subdivision, if the owner does not respond within the required time, the Division shall assess a penalty in the applicable amount set forth in subsection (b) of this section and shall revoke the registration of the owner's vehicle for the period set in subsection (c) of this section. If the owner does not respond within the required time, but later responds and establishes that the owner has not had a lapse in financial responsibility, the Division shall correct its records, rescind any revocation under this subdivision of the registration of the owner's vehicle, and the owner shall not be responsible for any fee or penalty arising under this section from the owner's failure to timely respond.

(5) No penalty. – If the owner responds within the required time and the response establishes all of the following, the Division shall not assess the owner a penalty:

a. The owner sold the vehicle under G.S. 20-62.1 or transferred title under G.S. 20-72 or G.S. 20-109.1 within 10 days of the termination of financial responsibility for the vehicle.

b. The owner did not operate or allow the vehicle to be operated during the lapse because the vehicle was either (i) unable to be driven due to damage or mechanical defect or (ii) no longer in the possession of the owner as a result of a sale or transfer for which there was a delay between physical transfer of the vehicle and completion of the paperwork required under G.S. 20-62.1, 20-72, or 20-109.1.

c. The owner has returned the North Carolina registration plate or has submitted an affidavit indicating that the North Carolina registration plate has been lost, stolen, or destroyed.

(b) Penalty Amount. – The following table determines the amount of a penalty payable under this section by an owner who has had a lapse in financial responsibility; the amount is based on the number of times the owner has been assessed a penalty under this section during the three-year period before the date the owner's current lapse began:

Number of Lapses in Previous Three Years	Penalty Amount
None	$50.00
One	$100.00
Two or More	$150.00

(c) Revocation Period. – The revocation period for a revocation based on a response that establishes that a vehicle owner does not have financial responsibility is indefinite and ends when the owner obtains financial responsibility or transfers the vehicle to an owner who has financial responsibility. The revocation period for a revocation based on a response that establishes the occurrence of an accident during a lapse in financial responsibility or the knowing operation of a vehicle without financial responsibility is 30 days. The revocation period for a revocation based on failure of a vehicle owner to respond is indefinite and ends when the owner (i) establishes that the owner has not had a lapse in financial responsibility, (ii) obtains financial responsibility, or (iii) transfers the vehicle to an owner who has financial responsibility, whichever occurs first.

(d) Revocation Notice. – When the Division revokes the registration of an owner's vehicle, it shall notify the owner of the revocation. The notice shall inform the owner of the following:

(1) That the owner shall return the vehicle's registration plate and registration card to the Division, if the owner has not done so already, and that failure to do so is a Class 2 misdemeanor under G.S. 20-45.

(2) That the vehicle's registration plate and registration card are subject to seizure by a law enforcement officer.

(3) That the registration of the vehicle cannot be renewed while the registration is revoked.

(4) That the owner shall pay any penalties assessed within 30 days of the date of the notice, a restoration fee, and the fee for a registration plate when the owner applies to the Division to register a vehicle whose registration was revoked.

(5) That failure of an owner to pay any penalty or fee assessed pursuant to this section shall result in the Division withholding the registration renewal of any motor vehicle registered in that owner's name.

(e) Registration After Revocation. – A vehicle whose registration has been revoked may not be registered during the revocation period in the name of the owner, a child of the owner, the

owner's spouse, or a child of the owner's spouse. This restriction does not apply to a spouse who is living separate and apart from the owner. At the end of a revocation period, a vehicle owner who has financial responsibility may apply to register a vehicle whose registration was revoked. The owner shall provide proof of current financial responsibility and pay any penalty assessed, a restoration fee of fifty dollars ($50.00), and the fee for a registration plate. Pursuant to G.S. 20-54, failure of an owner to pay any penalty or fee assessed pursuant to this section shall result in the Division withholding the registration renewal of any motor vehicle registered in that owner's name.

(f) Clear Proceeds of Penalties. – The clear proceeds of all civil penalties, civil forfeitures, and civil fines that are collected by the Department of Transportation pursuant to this section shall be remitted to the Civil Penalty and Forfeiture Fund in accordance with G.S. 115C-457.2.

(g) Military Waiver. – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who, at the time of notification of a lapse in financial responsibility, was deployed as a member of the Armed Forces of the United States outside of the continental United States for a total of 45 or more days. In addition, no insurance points under the Safe Driver Incentive Plan shall be assessed for any violation for which a monetary penalty or restoration fee is waived pursuant to this subsection. All of the following apply to a person qualifying under this subsection:

(1) The person shall have an affirmative defense to any criminal charge based upon the failure to return any registration card or registration plate to the Division.

(2) Upon reregistration, the person shall receive without cost from the Division all necessary registration cards or plates.

(3) Upon notice of revocation, the person shall be permitted to transfer the vehicle's registration immediately to his or her spouse, child, or spouse's child, notwithstanding the provisions of subsection (e) of this section.

(g1) Out-of-State Waiver. – Notwithstanding the penalty and restoration fee provisions of this section, any monetary penalty or restoration fee shall be waived for any person who meets all of the following requirements:

(1) The owner has become a resident of another state and has registered the owner's vehicle in that state within 30 days of the cancellation or expiration of the owner's North Carolina motor vehicle liability policy.

(2) The owner has submitted a copy of their current out-of-state registration card to the Division.

(3) The owner has returned the North Carolina registration plate or has submitted an affidavit indicating that the North Carolina registration plate has been lost, stolen, or destroyed.

(h) Applicability. – The penalty and revocation imposed under this section do not apply when the sole owner of a vehicle dies and that owner had financial responsibility for the vehicle as of the date of the owner's death. (1957, c. 1393, s. 3; 1959, c. 1277, s. 2; 1963, c. 964, s. 4; 1965, c. 205; c. 1136, s. 3; 1967, c. 822, s. 3; c. 857, s. 4; 1971, c. 477, s. 3; 1975, c. 348, s. 4; c. 716, s. 5; 1979, 2nd Sess., c. 1279, s. 2; 1983, c. 761, s. 147; 1983 (Reg. Sess., 1984), c. 1069, s. 2; 2006-213, s. 2; 2006-264, s. 38; 2007-484, ss. 7(c), (d); 2011-183, s. 24; 2015-241, s. 29.31(a); 2019-227, s. 4; 2021-185, s. 12(b).)