

SENATE BILL REPORT

HB 1015

AS REPORTED BY COMMITTEE ON LAW & JUSTICE, MARCH 30, 1993

Brief Description: Adopting the Uniform Commercial Code article on leases.

SPONSORS: Representatives Appelwick and Riley

HOUSE COMMITTEE ON JUDICIARY

SENATE COMMITTEE ON LAW & JUSTICE

Majority Report: Do pass as amended.

Signed by Senators A. Smith, Chairman; Quigley, Vice Chairman; Hargrove, Nelson, Niemi, Roach, and Spanel.

Staff: Alan Caplan (786-7465)

Hearing Dates: March 25, 1993; March 30, 1993

BACKGROUND:

Washington has adopted the Uniform Commercial Code (UCC), which governs many aspects of commerce involving personal property. A main goal of the UCC is to provide codified predictability and uniformity nationwide for the conduct of business.

Although leasing personal property is a common form of commerce, there is no comprehensive treatment of the subject in Washington's UCC or other statutes. Some lease arrangements may closely resemble an outright sale, while others may look much like a secured transaction or other loan agreement. The response to issues of classifying what are ostensibly "leases" has been on a case-by-case basis. The state Supreme Court, for example, has held some consumer leases to be loans, in response to which the Legislature exempted those leases from state usury laws.

Significant consequences may result from a court declaring a nominal lease to be a sale or a secured transaction. For instance, a "lessor" will have to file a financing statement or take other action to perfect his or her interest if the "lease" is really a secured transaction. On the other hand, a "lessee" may have express and implied warranty rights if the "lease" is really a sale.

In 1985, the National Conference of Commissioners on Uniform State Laws approved a Uniform Personal Property Leasing Act and recommended its adoption by the states. In drafting the proposal, the conference generally concluded that leases are more analogous to sales than to secured transactions. The proposal subsequently was modified in response to commentary

provided by bar groups and others who reviewed earlier versions. The conference, and the American Law Institute have recommended adoption of this new UCC article governing leases.

SUMMARY:

The Uniform Law Commission's recommended article on leasing of personal property is added to the Uniform Commercial Code.

The new article defines and sets forth the rules governing commercial leases. The article is divided into six parts: General Provisions; Formation and Construction of Leases; Effect of Lease Contract; Performance of Lease Contract; Default; and Amendatory Sections.

SUMMARY OF PROPOSED SENATE AMENDMENT:

The interests of a lessor whose property becomes an accession are protected.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: The bill takes effect July 1, 1994.

TESTIMONY FOR:

The UCC Committee of the Washington State Bar Association supports this bill.

TESTIMONY AGAINST: None

TESTIFIED: Mark Patterson, WA State Bar Assn.