
Business & Financial Services Committee

HB 2898

Brief Description: Concerning wholesale vehicle dealers.

Sponsors: Representatives Clibborn and Moscoso.

Brief Summary of Bill

- Removes the "wholesale vehicle dealer" subcategory of licensed vehicle dealers.

Hearing Date: 2/2/16

Staff: Peter Clodfelter (786-7127)

Background:

The Department of Licensing (DOL) is responsible for licensing all motor vehicle dealers operating in Washington. A "vehicle dealer" is defined as a person, business, or trust that is engaged in the business of buying, selling, listing, exchanging, offering, brokering, leasing with an option to purchase, auctioning, soliciting, or advertising the sale of new or used vehicles, or arranging or offering or attempting to solicit or negotiate on behalf of others, a sale, purchase, or exchange of an interest in new or used motor vehicles, irrespective of whether the motor vehicles are owned by that person.

With certain exceptions, a person selling more than four vehicles per year that are registered to the person must have a vehicle dealer license. And a person selling any vehicles not registered to the person must have a vehicle dealer license. In addition to the license requirement, vehicle dealers must file a surety bond with the DOL. Generally, the surety bond must be in the amount of \$30,000.

Classification of Vehicle Dealers. Within the broad category of "vehicle dealers" are several subcategories of vehicle dealers. The license fee for each type of vehicle dealer license is \$975, except for each "subagency" of a vehicle dealer, which is a \$100 license fee.

- A "motor vehicle dealer" is a vehicle dealer that deals in new or used motor vehicles.

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- A "retail vehicle dealer" is a vehicle dealer that may buy and sell vehicles at both wholesale and retail.
- A "wholesale vehicle dealer" is a vehicle dealer that buys and sells other than at retail.
- A "mobile home and travel trailer dealer" is a vehicle dealer that deals in mobile homes, park trailers, or travel trailers.
- A "miscellaneous vehicle dealer" is a vehicle dealer that deals in motorcycles or vehicles other than motor vehicles or mobile homes and travel trailers. (\$5,000 surety bond instead of \$30,000 surety bond).
- A "subagency" is any place of business of a vehicle dealer within the state, which is physically and geographically separated from the principal place of business of the firm or any place of business of a vehicle dealer within the state, at which place the firm does business using a name other than the principal name of the firm, or both.

Requirements Specific to Vehicle Dealers. The business of a vehicle dealer must be lawfully carried on at an established place of business in accordance with the terms of all applicable building code, zoning, and other land-use regulatory ordinances. An established place of business is a permanent, enclosed commercial building located in Washington that is easily accessible at all reasonable times. A vehicle dealer may only display a vehicle for sale at the vehicle dealer's established place of business, licensed subagency, or temporary subagency site, except at auction.

Further, a vehicle dealer must keep the building open to the public so that the public may contact the vehicle dealer or the vehicle dealer's salespersons at all reasonable times (at least 10:00 a.m. to 4:00 p.m.). The books, records, and files necessary to conduct the business must be kept and maintained at that place. A vehicle dealer's established place of business must display an exterior sign with the business name and nature of the business, such as auto sales, permanently affixed to the land or building, with letters clearly visible to the major avenue of traffic. If a vehicle dealer maintains a place of business at more than one location or under more than one name in Washington, the vehicle dealer must designate one location as the principal place of business of the firm, one name as the principal name of the firm, and all other locations or names as subagencies. A subagency license is required for each subagency.

Requirements Specific to Wholesale Vehicle Dealers. Wholesale vehicle dealers must have office facilities in a commercial building within Washington. However, wholesale vehicle dealers are not required to maintain normal business hours or a phone book listing, like other vehicle dealers. All storage facilities for inventory must be listed with the DOL and comply with local land use ordinances. A wholesale vehicle dealer must maintain a telecommunications system. An exterior sign visible from the nearest street must identify the wholesale vehicle dealer's business name and the nature of business. If a wholesale vehicle dealer and another vehicle dealer or dealers businesses share a location, all records, office facilities, and inventory, if any, must be physically segregated and clearly identified.

Actions to Recover Damages. Vehicle dealers are accountable for the dealer's employees, sales personnel, and managerial personnel while in the performance of their official duties. A dealer is subject to penalties for violations of law and rules by employees and other personnel. A retail purchaser, consignor who is not a motor vehicle dealer, or a motor vehicle dealer who has purchased from a wholesale dealer, who has suffered a loss or damage by reason of any act by a

dealer, salesperson, manager, or other employee of a dealership may institute an action for recovery against the dealer and the dealer's surety bond.

Summary of Bill:

The "wholesale vehicle dealer" subcategory of licensed vehicle dealers is removed. Accordingly, the specific requirements related to wholesale vehicle dealer office facilities, storage facilities, telecommunications equipment, signage, and shared locations are removed. The authorization for vehicle dealers to recover damages from wholesale vehicle dealers because of a loss or damage is also removed.

Additionally, the requirement that a consignor not be a motor vehicle dealer in order to institute an action for recovery against another dealer and the other dealer's surety bond is removed.

Appropriation: None.

Fiscal Note: Requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.