

SENATE BILL REPORT

SB 6606

As Reported by Senate Committee On:
Transportation, February 8, 2016

Title: An act relating to wholesale vehicle dealers.

Brief Description: Concerning wholesale vehicle dealers.

Sponsors: Senator King.

Brief History:

Committee Activity: Transportation: 2/03/16, 2/08/16 [DPS].

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 6606 be substituted therefor, and the substitute bill do pass.

Signed by Senators King, Chair; Fain, Vice Chair, Budget ; Hobbs, Ranking Minority Member; Liias, Assistant Ranking Minority Member; Carlyle, Cleveland, Ericksen, Jayapal, Litzow, Miloscia, Rivers, Sheldon and Takko.

Staff: Kellee Keegan (786-7429)

Background: The Department of Licensing (DOL) is responsible for licensing all motor vehicle dealers operating in Washington.

Wholesale motor vehicle dealers. Current law defines a wholesale motor vehicle dealer as a vehicle dealer who buys and sells other than at retail.

A wholesale vehicle dealer must have office facilities in a commercial building within Washington State, and all storage facilities for inventory shall be listed with the DOL, and must meet local zoning and land use ordinances. A wholesale vehicle dealer shall maintain a telecommunications system. An exterior sign visible from the nearest street must identify the business name and the nature of the business. When two or more vehicle dealer businesses share a location, all records, office facilities, and inventory must be clearly segregated and clearly identified.

Motor vehicle dealers. A motor vehicle dealer deals in new and used motor vehicles, or both. A license is needed for anyone who sells more than four vehicles in any 12 months, buys and

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sells vehicles for the purpose of making a profit, or sells vehicles that are not registered to the seller. A motor vehicle dealer must have an established place of business that includes a publicly available commercial space open at least five days a week, with signage, located in a commercially zoned area with a business telephone listing in the local directory. Required books and records must be kept at the place of business.

Before a motor vehicle dealer may be issued a license, they must have:

- filed with the DOL a surety bond worth \$30,000;
- shown proof of either owning or renting a business site;
- submitted an application of a business license to the Department of Revenue;
- submitted a source of funds statement;
- submitted a personal criminal history statement with a fingerprint card for each member of the business; and
- submitted proof of required training, if selling only used vehicles.

Summary of Bill (Recommended Substitute): The "wholesale vehicle dealer" subcategory of licensed vehicle dealers is removed from statute.

Accordingly, the following related to wholesale vehicle dealers is removed:

- specific requirements for office facilities, storage facilities, telecommunications equipment, signage, and shared locations;
- the authorization for vehicle dealers to recover damages from wholesale vehicle dealers because of a loss or damage; and
- 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.

By removing the subcategory of these licenses, a wholesale vehicle dealer would need to submit an application to the DOL for another applicable dealer license, such as a motor vehicle dealer license.

EFFECT OF CHANGES MADE BY TRANSPORTATION COMMITTEE (Recommended Substitute): The definition for wholesale vehicle dealer is retained in statute and further defined as a dealer who buys and sells vehicles to other Washington licensed dealers.

It is re-established that wholesale vehicle dealers must have office facilities within this state but with no more than two other wholesale or retail vehicle dealers in the same building.

All other instances of wholesale vehicle dealers in statute are retained.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This is an unusual issue. In a period of a week, over 100 motor vehicle dealers licenses were issued. The law as it is now allows for illegal dealings and fraud. This is a consumer protection issue. The FBI and DEA are interested in this. This permissibility essentially allows for the laundering of vehicles.

Persons Testifying on Original Bill: PRO: Rick Jensen, Dealers Auto Auctions NW; Anthony Sermonti, Department of Licensing.

Persons Signed In To Testify But Not Testifying: No one.