

Senate Fiscal Agency
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SFA



BILL ANALYSIS

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Senate Bill 941 (as reported without amendment)
Sponsor: Senator Bill Bullard, Jr.
Committee: Transportation and Tourism

Date Completed: 4-7-98

RATIONALE

The Dealer Advisory Committee, a 10-member task force appointed by Secretary of State Candice Miller and composed of auto dealers from across the State, met for one year to gather information and make recommendations for streamlining the process of purchasing and selling a motor vehicle and improving the operation of the Department of State's Bureau of Automotive Regulation. In its final report, the committee made 14 recommendations on issues affecting auto dealers, including permitting the Secretary of State to issue a multiple-year dealer's license and changing the computation of some license plate fees. Some people believe the Vehicle Code should incorporate many of the recommendations so the Department could implement them in its operations.

CONTENT

The bill would amend the Michigan Vehicle Code to:

- **Provide that a dealer could not charge a purchaser of a vehicle more than the dealer had been charged by the Secretary of State for a temporary plate or marker.**
- **Specify that a dealer license would entitle a dealer to conduct at another business in the State the wholesale buying, selling, or dealing in vehicles.**
- **Establish a December 31 expiration date for a dealer license and permit a license to be renewed for up to four years.**
- **Require a seller's statement to a vehicle buyer to include the amount charged for a temporary registration plate.**
- **Revise the registration fee for vehicles with a list price of more than \$30,000.**
- **Establish a multiple-year license and fee for vehicle dealers as well as used**

vehicle parts dealers, automotive recyclers, and foreign salvage vehicle dealers.

Temporary Plates, Markers

Currently, temporary registration plates or markers may be issued to licensed vehicle dealers and persons who sell vessels required to be numbered under Part 801 (Marine Safety) of the Natural Resources and Environmental Protection Act, upon application accompanied by the proper fee, for use by vehicle purchasers, for up to 15 days pending receipt of regular registration plates. Only one temporary plate or marker may be issued to a vehicle purchaser.

Under the bill, if a dealer or person required a purchaser of a vehicle or vessel to pay for a temporary plate or marker, the dealer or person could not charge the purchaser more than the dealer or person had been charged by the Secretary of State for the individual plate or marker.

Vehicle Dealer Licenses

The Code currently includes dealer licensing provisions that prohibit a person from buying, selling, brokering, or dealing in titled vehicles without a license; require a license application to contain specified information; and, require a person to apply for separate licenses for each county in which a business is to be conducted. The Code specifies that a dealer license entitles a dealer to conduct in the county covered by the license the business of buying, selling, and dealing in vehicles or salvageable parts. The bill would delete a provision that exempts from the above provisions persons who are licensed as foreign salvage vehicle dealers. The bill also would add that a

dealer license would entitle the dealer to conduct at any other established place of business in the State only the business of buying, selling, or dealing in vehicles at wholesale.

Under the bill, a dealer license would expire on December 31 of the last year for which the license was issued. The Secretary of State could renew a license for up to four years upon application and payment of the required fee.

Vehicle Dealer's Records

The Code requires a seller, within 20 days after the delivery of a vehicle, to deliver to the buyer a form prescribed by the Secretary of State in conjunction with the Department of Treasury, that includes information on the vehicle and the sale. The bill would delete from the required statement the amount of the finance charge and the terms of the payment of the net balance, and would add the amount charged for a temporary registration plate.

The bill also would delete the current requirement that a dealer record of the purchase, acquisition, sale, receipt, or acceptance for the sale, delivery, or exchange of a vehicle contain the license number of the vehicle dealer from whom the vehicle was obtained and of the dealer to whom the vehicle was sold or delivered.

The Code defines "police book" as a hardcover, bound volume that provides a bought and sold record for each vehicle handled by a dealer, contains information required under the Code on vehicle dealer licensees, and includes any other information required by law or the Secretary of State. Under the bill, a police book also would include a record that was in a form prescribed by the Secretary of State.

Registration Fees

The Code requires the Secretary of State to collect certain taxes at the time a vehicle is registered. For vehicles not otherwise subject to a different tax rate, the Code establishes a tax schedule for a 12-month registration period that is based on a vehicle's list price. Under this schedule, a vehicle with a list price of more than \$30,000 is taxed at 0.5% of the list price. The bill would delete this provision and would provide, instead, that for a vehicle with a list price of more than \$30,000, the fee would increase by \$5 for each \$1,000 increment or fraction of \$1,000 increment over \$30,000. If a current fee increased or decreased as a result of the bill, only a vehicle purchased or

transferred after the bill's effective date would be assessed the increased or decreased fee.

Dealer's License, Fees

An application for a vehicle dealer's license must be accompanied by a \$10 fee for a full year's license or a \$5 fee for a half year's license. The bill would add a multiple-year license for a \$10 per year fee. In addition, an application for a used or secondhand vehicle parts dealer, an automotive recycler, or foreign salvage vehicle dealer license must be accompanied by \$100 for a full year's license and \$50 for a half year's license. The bill would add a multiple-year license of \$100 per year.

MCL 257.41a

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The bill would incorporate many of the recommendations made by the Dealer Advisory Committee to improve departmental operations that affect auto dealers, provide for technological advances in order to enhance the Department's services to auto dealers, and eliminate certain paperwork requirements that are duplicated at several levels throughout the vehicle-purchasing process. For example, the bill would do the following: permit the Secretary of State to issue multiyear dealer licenses, which would be more efficient for vehicle dealerships as well as the Secretary of State; allow dealers to keep electronic police books instead of keeping records in bound books as currently required; and, delete the requirement that the amount of finance charge and terms of payment appear on a title application, which would eliminate a duplication of information since dealers must show complete financing information on a title application as well as an installment sellers contract. In addition, the bill would create a new formula for calculating the registration fee for vehicles with a base price of \$30,000. According to the Department, when the current formula was first used with 1984 models, few vehicles had a manufacturer's price over \$30,000. Calculating the license plate fees for these vehicles using the current formula has been difficult for dealerships and Department employees. The bill also would allow dealers to pass on to their customers the cost of temporary registrations. Currently, a dealer must pay \$1 for

each temporary permit. Under the bill, a dealer could require a purchaser to pay for the temporary plate, but could not charge the purchaser more than the dealer had been charged by the Secretary of State. Taken together, these changes would assist the Secretary of State as well as thousands of dealerships in better serving their customers.

Legislative Analyst: L. Arasim

FISCAL IMPACT

There would be an indeterminate fiscal impact on State government. It is unknown how much revenue could be gained by permitting a dealer license to be renewed for up to four years, rather than granting licenses for full or half years as required under the current law. In fiscal year 1996-97, however, there were 6,400 licensed vehicle dealers in the State of Michigan. There would be no fiscal impact on local government.

Fiscal Analyst: E. Limbs

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.