



**House
Legislative
Analysis
Section**

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**REFER TO VEHICLE LEASING
IN VEHICLE CODE**

**House Bill 5363 as enrolled
Public Act 642 of 2002
Second Analysis (1-13-03)**

**Sponsor: Rep. Chris Kolb
House Committee: Commerce
Senate Committee: Transportation and
Tourism**

THE APPARENT PROBLEM:

The Department of State notes that vehicle leasing has become a popular alternative to buying a vehicle. It is the department's view that whether a customer purchases or leases a vehicle, he or she deserves the same rights and protections under state law. The department's authority over lease transactions needs clarification. The department has noted in a recent analysis that:

The department has received and actively reviewed lease complaints since 1997. In the Fall of 1997, the Bureau of Automotive Regulation (BAR) became aware of more than 60 consumer complaints first received by the Office of Attorney General and then forwarded to BAR. The complaints were all similar in nature and involved alleged misrepresentations of lease terms by licensed Michigan dealers and their subsidiary leasing companies. These cases brought to light the question of jurisdiction over lease complaints since the Vehicle Code does not give express authority to the department in this type of transaction.

Legislation has been introduced at the behest of the Department of State giving the state clear authority to take action on lease transaction complaints.

THE CONTENT OF THE BILL:

The bill would amend numerous sections of the Michigan Vehicle Code, generally speaking, to treat the leasing of a vehicle in the same manner as the sale of a vehicle.

The code currently, for example, requires the licensing of persons engaged in buying, selling, brokering, or dealing in vehicles of a type required to be titled under the code. The bill would also apply the requirement to "leasing" and "negotiating a lease". The bill would take effect January 1, 2003.

(Under a related bill, however, for the purpose of dealer licensing, the term "dealer" would not apply to a person who negotiated the lease of a vehicle for a lease term of less than 120 days. Further, the term would not apply to a person who leased five or more vehicles, or any number of vehicles with a gross weight of 26,001 pounds or more, to a single entity for commercial business or other nonhousehold use. These provisions are found in House Bill 5364, which became Public Act 652 of 2002.)

Salvage Vehicle Inspections. The vehicle code says that the secretary of state cannot issue a certificate of title or registration plates for a vehicle for which a salvage certificate of title has been issued unless a specially trained officer certifies that the vehicle identification numbers and parts identification numbers are correct; that the applicant has proof of ownership of repair parts used; and that the vehicle complies with the act's equipment standards. The bill would alter the fee that could be charged by a police agency for this inspection. Currently, it is \$50. Under the bill, each local authority with a police agency would determine the amount of the fee for inspections by that police agency, with the fee not to exceed \$100. As now, the fee is to be credited to the budget of the police agency and used for law enforcement purposes affecting stolen vehicles, stolen parts, and salvage vehicle inspections.

The bill also would eliminate obsolete language from the vehicle code.

MCL 257.213 et al.

BACKGROUND INFORMATION:

Public Act 652 of 2002, House Bill 5364, also amended the Michigan Vehicle Code, and made a number of significant changes, including rewriting

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the definition of the term “dealer” to distinguish between legitimate dealers who need to be licensed and those persons who sell fewer than five vehicles in a 12-month period. For a detailed description of these changes, see the analysis of House Bill 5364 by the House Legislative Analysis Section dated 1-13-02.

FISCAL IMPLICATIONS:

The House Fiscal Agency has pointed out that the bill would have an indeterminate impact on state licensing fee revenue and on related enforcement and investigation costs. The language adding leasing activities could increase the number of licensees; the new "five or more vehicles" definition could reduce the number of licensees. Evidence suggests, however, that few individuals dealing in less than five vehicles seek licensure. Thus, it is likely that both costs and revenues would increase somewhat under the bill. The HFA says that a standard dealer license costs \$10 per year and dealer licenses generate between \$200,000 and \$250,000 annually for the state. The HFA notes that, in a separate provision, the bill allows police agencies to charge up to \$100 for conducting a recertification inspection of salvage vehicles. Current law caps the fee at \$50. This provision will increase local revenue to participating police agencies by an indeterminate amount. (HFA fiscal analysis dated 1-13-03)

ARGUMENTS:

For:

The bill will provide the Department of State with the clear authority to treat consumer vehicle lease transactions the same way that it treats vehicle sales. Generally speaking, those engaging in leasing vehicles will be treated as dealers, and the rights and protections provided under state law to customers buying vehicles will be provided to those leasing vehicles.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.