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SFA**BILL ANALYSIS**

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House Bill 5363 (Substitute S-2)
Sponsor: Representative Chris Kolb
House Committee: Commerce
Senate Committee: Transportation and Tourism

Date Completed: 9-17-02

CONTENT

The bill would amend the Michigan Vehicle Code to include vehicle leases or leasing, or leased vehicles, in provisions governing vehicle dealers, registration, certificates of title, and delivery. The bill also would make changes concerning inspections by the Secretary of State, the requirement for a dealer license, and salvage vehicles. The bill would take effect on January 1, 2003.

Secretary of State Inspections

The Code authorizes the Secretary of State, and designated officers and investigators of the Department of State, to inspect any vehicle of a type required to be registered under the Code in any public garage or repair shop or in any place where vehicles are held for sale or wrecking, for the purpose of locating stolen vehicles and investigating vehicles' title and registration. Under the bill, the Secretary of State and designated officers and investigators also could inspect the salvageable parts of vehicles, could perform investigations in a place where vehicles were held for lease or dismantling, and could investigate for the purpose of locating stolen vehicle parts.

In addition, the Code authorizes the Secretary of State and designated officers and investigators to examine the books and records of all persons licensed under the Code pertaining to the selling, buying, or wrecking of vehicles of a type required to be registered, and the payment and collection of tax provided for in the Code. The bill also would allow the investigation of licensees' books and records pertaining to vehicle leasing, dismantling, or brokering.

Dealer License

The Code prohibits a person from carrying on or conducting the business of buying, selling, brokering, or dealing in vehicles of a type required to be titled under the Act, unless the person obtains a dealer license from the Secretary of State. Under the bill, a person would have to obtain a dealer license in order to carry on or conduct the business of buying, selling, brokering, *leasing, negotiating a lease,* or dealing in *five or more* vehicles of a type required to be titled *in a 12-month period.*

The bill would make the same changes in provisions that require a person (other than an insurance company) to obtain a license in order to deal in distressed late model vehicles or salvageable parts. The Code also requires a person to obtain a license in order to engage in the business of buying vehicles to process into scrap metal or store or display vehicles as an insurance company agent. Under the bill, this would apply to buying, storing, or displaying five or more vehicles in a 12-month period.

Salvage Vehicles

The Code provides that a salvage certificate of title authorizes the holder to possess, transport, and transfer ownership in a vehicle, but not to drive it upon a highway. The Secretary of State may not issue a certificate of title or registration plates for a vehicle for which a salvage certificate of title was issued unless a specially trained officer certifies that the vehicle identification numbers and parts identification numbers are accurate, the applicant has proof of ownership of repair parts used, and the vehicle complies with the Code's equipment standards.

When the inspection and other requirements have been satisfied, the Secretary of State must issue a certificate of title bearing an indicator of its previous status. Under the bill, the certificate of title would have to bear the legend "rebuilt vehicle".

The Code provides that a police agency is to receive a \$50 fee for inspecting a salvage vehicle. The bill would delete the \$50 amount and require each local authority with a police agency to determine the amount of the inspection fee, which could not exceed \$100. As presently required, the fee would have to be credited to the police agency's budget and used for law enforcement purposes that affect stolen vehicles, stolen vehicle parts, and salvage vehicle inspections.

Under the Code, the Secretary of State must issue a flood, rebuilt, salvage, or scrap certificate of title for a vehicle brought into Michigan from another state or jurisdiction that has such a title issued by the other state or jurisdiction. The bill also would require the Secretary of State to issue a "rebuilt salvage" certificate of title under these circumstances.

In addition, the Code provides that a certificate of title may not be issued for a vehicle that has had a salvage certificate of title unless the certificate of title contains a legend that discloses the vehicle's former condition to consumers and potential purchasers. Under the bill, instead of that legend, the certificate of title would have to contain the legend "rebuilt salvage".

Leased Vehicles

The bill would include vehicle leasing, leases, or leased vehicles in provisions that do the following:

- Require a dealer to give a vehicle buyer a copy of each document signed by the person.
- Allow an unregistered vehicle to be driven to a place of storage for three days following the date of a properly assigned title from anyone other than a vehicle dealer.
- Provide for the temporary registration of a vehicle that is delivered to a purchaser who has registration plates that are to be transferred to the vehicle.
- Allow the Secretary of State to conduct periodic reviews of a dealer's records to determine whether adequate notice is given to a transferee of a rebuilt salvage vehicle of its prior designation as a salvage vehicle.
- Provide for an automatic, 30-day suspension of a dealer's license for removing a scrap vehicle from the State for the purpose of rebuilding the vehicle or selling it to a person other than a vehicle scrap metal processor.
- Allow the Secretary of State to issue a special registration plate for a vehicle purchased in or outside of Michigan and delivered in the State for removal to a place outside the State.
- Allow a vendee to operate a vehicle for up to 72 hours after taking possession if the vehicle has a dealer plate attached.
- Authorize the Secretary of State to suspend, revoke, or deny a dealer license if the licensee or applicant has sold or offered for sale a new vehicle without having a contract with the vehicle's manufacturer or distributor, or if the licensee or applicant has no established place

of business for the purpose of selling vehicles.

In addition, the Code requires a dealer selling or exchanging vehicles required to be titled, within 15 days after delivering a vehicle to the purchaser, and a person engaged in the sale of vessels required to be numbered, within 15 days after delivering a boat trailer weighing under 2,500 pounds to the purchaser, to apply to the Secretary of State for a new title, if required, and to transfer or secure registration plates and secure a certificate of registration for the vehicle or boat trailer, in the purchaser's name. Under the bill, these requirements also would apply when a vehicle or boat trailer was leased.

MCL 257.213 et al.

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

The bill would have a minimal fiscal impact on State government.

The bill could increase revenue to local police agencies. Local police agencies inspect vehicles for which a salvage certificate of title was previously issued to determine whether a certificate of title and registration plate may be issued. Currently, the police agencies charge a fee of \$50 for this service. The bill would allow the police agencies to determine the fee charged for the inspection, up to \$100. Revenue received from this fee is credited to the budget of the local police agency performing the inspection.

Fiscal Analyst: Jessica Runnels