

MICHIGAN VEHICLE CODE AMENDMENTS

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Senate Bill 1064 (S-1) as passed by the Senate

Sponsor: Sen. Aric Nesbitt

House Committee: Regulatory Reform

Senate Committee: Regulatory Reform

Revised 9-21-22

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 1064 would amend several sections of the Michigan Vehicle Code relating to vehicle registration and dealer licenses, and vehicle plates, among other changes relating to requirements on vehicle sellers.

Section 14 provides requirements relating to an “established place of business” for different licensees. The bill would add definitions or requirements relating to the “established place of business” for several license types, described below.

For a wholesaler, the bill would add the following requirements for premises to be considered an established place of business:

- The premises contain a conspicuous posting of the wholesaler’s regular hours of operation that include at least 15 regular business hours each week between the hours of 8 a.m. and 5 p.m., Monday through Friday.
- If a wholesaler receives its initial license on or after January 1, 2023, the premises are not located within 200 feet of an established place of business for another licensed wholesaler.

The bill would also add requirements for a used or secondhand vehicle parts dealer, vehicle scrap metal processor, vehicle salvage pool operator, distressed vehicle transporter, broker, and automotive recycler. For these entities, an “established place of business” would mean premises that meet all of the following requirements:

- The premises contain a permanently enclosed building or structure that is either owned, leased, or rented by the business and that is not a commercial mailbox, tent, temporary stand, or other temporary quarters.
- All books, records, and files necessary to conduct the business of the dealer are maintained in the building or structure described above.
- The premises are identified by an exterior sign displaying the name of the dealer that is permanently affixed to the building or land with letters clearly visible from the roadway.
- The premises meet all applicable zoning requirements and any other applicable municipal requirements.
- The premises contain a conspicuous posting of the business’s regular hours of operation. The posted hours must not be less than 15 hours per week for not less than 48 weeks per year.
- Five of the 15 hours per week must be between the hours of 8 a.m. and 5 p.m., Monday through Friday.

Section 217 provides requirements relating to obtaining a vehicle registration. Currently, a dealer selling, leasing, or exchanging vehicles, and a person engaged in the sale of vessels under the Natural Resources and Environmental Protection Act, must title the vehicle or vessel in the name of its purchaser or lessee within 15 days of sale or lease. The bill would change this to 21 days and increase the penalty for failing to meet this time frame from \$15 to \$50.

Section 217c provides for actions relating to record keeping and notice for certain vehicles. The bill would delete a requirement for notification to prior vehicle owners and lienholders of record when a vehicle is totaled by an insurance company.

Section 226 provides for how long a vehicle registration is valid. The bill would increase the time, from 30 days to 60 days, for which a special registration is valid for the following vehicles:

- A new vehicle purchased or leased outside of this state and delivered in this state to the purchaser or lessee by the manufacturer of that vehicle for removal to a place outside of this state, if a certification is made that the vehicle will be primarily used, stored, and registered outside of this state and will not be returned to this state by the purchaser or lessee for use or storage.
- A vehicle purchased or leased in this state and delivered to the purchaser or lessee by a dealer or by the owner of the vehicle for removal to a place outside of this state, if a certification is made that the vehicle will be primarily used, stored, and registered outside of this state and will not be returned to this state by the purchaser or lessee for use or storage.

The bill also would amend requirements for this type of special registration by adding a requirement that the name and address of any lienholder be added to the special registration.

Section 226a provides for requirements and use of temporary registration plates. The bill would increase the time temporary registration plates are valid, from the current 15 days to 30 days.

Section 233a requires certain disclosures and reporting of vehicle odometer readings when a vehicle is transferred. The bill would amend this section so that an odometer reading would no longer be required if the title is being transferred for a scrap vehicle.

The bill would authorize the Department of State to accept odometer information electronically through a disclosure document that complies with all of the following:

- It is submitted on a form that is approved by the Department of State.
- It is electronically signed using software that provides antitamper and identification verification technology and is approved for this use by the Department of State.
- It is otherwise fully compliant with 49 CFR 580 (a federal regulation concerning odometer reading disclosures).

Section 235 provides requirements of new motor vehicle and secondhand vehicle dealers related to handling registration and titles for vehicles. Currently, if the transferee of a vehicle is a new motor vehicle dealer or is a used or secondhand vehicle dealer that acquires the vehicle for resale, that dealer is not required to obtain a new registration of the vehicle or forward the certificate of title to the secretary of state. Under the bill, upon prior written notice to the

secretary of state, the registration could remain at a secondary location of the dealer within the same county.

Section 245 provides for how a manufacturer, transporter, or dealer may apply to the Department of State for a general distinguishing number and for special plates. The bill would allow dealers to apply for one or more special plates that would be valid for the duration of the dealer's license.

Section 248 provides for dealer licensing. The bill would increase the amount of the bond an applicant for a new vehicle dealer license, or a used or secondhand vehicle dealer or broker license must have from \$10,000 to \$25,000.

The bill would also allow a dealer to advertise or display to the public a vehicle that the dealer has acquired or that is available to the dealer directly from the manufacturer or distributor or the manufacturer's or distributor's subsidiary or affiliate within a reasonable period of time, even though the dealer is still waiting on possession of the vehicle's title. Such a vehicle, if displayed on the dealer's lot, would have to be placed in a dedicated area at the dealership and arranged in a manner that clearly separates the vehicle from those available for immediate sale to the public with signage placed on the vehicle indicating the vehicle is not available for final sale until the title is in the possession of the dealer. A dealer could also park, store, hold, and repair vehicles owned under one dealer license on the lot or property held by the same dealer under a separate dealer license.

The bill also would prohibit the secretary of state from renewing a dealer's license if the dealer has not bought or sold more than five vehicles during the 12 months preceding the dealer's renewal application.

Section 248d provides requirements relating to wholesalers. The bill would add a requirement that a wholesaler maintain regular hours of operation at an established place of business that include at least 15 regular business hours per week between the hours of 8 a.m. and 5 p.m., Monday through Friday.

Section 250 provides for the process by which complaints against a dealer may be made and investigated. The bill would require the secretary of state to notify a licensee of a complaint made against that licensee if the complaint merits an investigation and to make a copy of that complaint available to the licensee at no charge.

Section 251 provides for requirements that dealers and wholesalers have in regard to record keeping for vehicles that require a title. Presently, one of the requirements is that not more than 20 days after delivery of the vehicle, the seller must deliver to the buyer, either in person or by mail, a duplicate of a written statement with certain required information. The bill would allow this written statement to be delivered electronically if the buyer agrees.

The bill would also require that at least 36 hours advance notice be given to a dealer before conducting an inspection and that the secretary of state or other law enforcement officials must have proof of providing this advance notice. The code does not now contain a notification requirement or require the inspecting entity to have proof of notification.

MCL 257.14 et seq.

FISCAL IMPACT:

The bill would increase revenues to the Michigan Transportation Fund (MTF) from fee revenue increases. Some revenue from the MTF is distributed to local units of government. The bill would increase the penalty fee for late title transfers to certain used and new vehicle dealers from \$15 to \$50 while also increasing the number of days permitted to transfer a title or registration plate from 15 days to 21 days. While the one-week extension to the title and registration transfer period would result in fewer late fees assessed, revenue from the 233% fee increase would likely surpass the anticipated loss from fewer late fees assessed. There will be an estimated 71,500 late title transfer fees collected from dealers in FY 2021-22, for a total collection of approximately \$1.1 million in revenue to the MTF. If the bill's time extension for transferring has no effect, this would result in an additional \$2.5 million annually. The one-week extension would need to decrease late title transfer fee transactions by 70%, or to below 21,450, for revenue to decrease.

The bill would also increase dealer licensing fees from \$37.50 to \$80 for a half year's license and from \$75 to \$160 per year for a single year's license or multiple year license. In FY 2020-21, there were 5,196 dealer license transactions. Data was not available from the Department of State to determine how many of these transactions pertained to half-year or full-year licenses. Assuming, for estimating purposes, that all license fees were for full-year licenses, the bill would increase annual revenue to the MTF by approximately \$441,700. Actual revenue impacts would be lower after accounting for half-year license fees. Revenue in the MTF is primarily distributed to local road agencies and certain targeted road programs.

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