

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

SPONSOR Rehm ORIGINAL DATE 03/04/13  
LAST UPDATED \_\_\_\_\_ HB 500  
SHORT TITLE License for Vehicle Salvage Sales SB \_\_\_\_\_  
ANALYST Boerner

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		0	0			None

(Parenthesis ( ) Indicate Expenditure Decreases)

HB500 relates to HB8, which requires both sellers and purchasers of salvage vehicles to be licensed.

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

### SUMMARY

#### Synopsis of Bill

This bill amends Section 66-1-4.4 NMSA 1978 to add a seller of salvage vehicles to the definition of “dealer.” Section 66-1-4.16 NMSA 1978 is amended to define a “seller of salvage vehicles” as “a person engaged in the business of selling, transferring, auctioning or disposing of salvage vehicles on behalf of owners, insurance companies, authorized adjusters, leasing companies, self-insured persons or financial institutions.” Finally, a new section is added to the Motor Vehicle Code requiring that anyone engaged in the business of selling salvage vehicles must be licensed as a seller of salvage vehicles, and sets requirements for salvage vehicles sales transactions (such as registering the sale with TRD).

### FISCAL IMPLICATIONS

None noted.

## **SIGNIFICANT ISSUES**

The TRD points out that as far as the department is aware the only type of business that engages in the selling of motor vehicles on behalf of others is an auction house. Auction houses sell vehicles (including but not limited to salvage vehicles) on behalf of insurance companies and other entities. They are typically, though not currently required to be, licensed as dealers.

## **TECHNICAL ISSUES**

The TRD provided the following analysis of possible technical issues within the bill:

Section 3 adds new material describing procedures to be followed by sellers of salvage vehicles with language that is unclear. Subsection B requires, as an alternative to the procedures listed in paragraphs (1) through (3), that the seller of a salvage vehicle, before allowing the purchaser to take possession of the vehicle, to “register” the sale with the department “through the department’s electronic registration system.” This language may be intended to require that the seller report the sale to MVD. But the use of the word “register” creates confusion since registration is a term of art with a specific meaning in the Motor Vehicle Code; and there are situations where there is no requirement that a vehicle be registered (e.g. if the vehicle is purchased for parts and will not be driven, or if the vehicle will go into a dealer’s inventory).

Subsection B(1) through (4) set forth requirements for a seller of salvage vehicles to be complied with as an alternative to the requirement mentioned immediately above. These four requirements are joined by the word “and” at the end of Subsection B(3), meaning that all four requirements must be complied with. It appears that the requirement of Subsection B(1), even with corrections to wording as suggested below, may not be appropriate. It essentially requires that the seller apply for (and obtain?) a title in the name of the purchaser before allowing the purchaser to take possession of the vehicle. However, in many cases, the purchaser will be a licensed dealer that is not required to obtain title in its name. Assuming this problem is clarified, the wording of Subsection B(1) should be changed from “perfect or register the title of the salvage vehicle with the department” to “apply for and obtain from the department a title for the salvage vehicle in the name of the purchaser (if the purchaser is not a licensed motor vehicle dealer).”

Subsection B(3) requires the seller to notify the department of the sale of a salvage vehicle and provide information described in (a), (b), and (c). The information required in (a) is a ‘brief description of the salvage vehicle.’ To this should be added “...including the Vehicle Identification Number.”

Subsection B(3) also requires that the department receive a copy of the purchaser’s perfected title within 48 hours. However, if the purchase is being financed the funding may not go through within 48 hours. Furthermore, the requirement that an additional copy of the title be provided to MVD is superfluous given that it is MVD that issues titles and maintains the official title records.

Subsection D lists requirements for issuance of registrations and certificates of title when a seller of salvage vehicles sells a salvage vehicle to a person residing outside of the United States. In fact any new registration and title would be processed in the purchaser’s country of residence. The intent of this provision might be better served by a requirement that MVD be notified, and enter into its records, the fact that the salvage vehicle has been sold out of country.