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FISCAL IMPACT REPORT

SPONSOR: House Floor DATE TYPED: 3/6/03 HB 225/HFIS

SHORT TITLE: Used Car Quality Assurance Standards SB _____

ANALYST: Wilson

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
			See Narrative		

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY03	FY04			
		See Narrative		

SOURCES OF INFORMATION

LFC files

SUMMARY

Synopsis of Bill

The House Floor Substitute for House Bill 225 provides for conspicuous notice to consumers of a vehicle being resold after being taken back by the dealer because of problems. Additionally, it expands the protection of the Quality Assurance Act to purchasers of used as well as new motor vehicles. Specific exemptions are made for vehicles sold by banks and financial institutions, insurance companies, businesses selling to employees and leasing companies selling to lessees.

HB 225/HFIS limits the maximum liability of a seller to the purchase price paid for the used motor vehicle to be refunded to the purchaser or lender as applicable in exchange for the return of the vehicle. A purchaser is required to give a reasonable notice to a seller within thirty days of a breach of the implied warranty of merchantability.

House Bill 225/HFIS Page 2

In HB 225/HFIS a consumer or a used motor vehicle dealer may bring a cause of action against a person who removes the notification from the motor vehicle, unless the manufacturer, its agent or its authorized dealer or a used motor vehicle dealer, before completion of the sale, has provided the purchaser with written notification by the manufacturer, dealer or agent of the dealer, that the motor vehicle has been replaced or repurchased.

The effective date for HB 225/HFIS is January 1, 2004.

Significant Issues

The intent of HB 225/HFIS is to offer additional protection to consumers purchasing used cars.

FINANCIAL IMPLICATIONS

TRD claims there maybe a small increase in excise tax and registration fees, but it is too difficult to estimate. (See below under administrative impact).

ADMINISTRATIVE IMPLICATIONS

HB 225/HFIS states that the seller of a used motor vehicle may not sell the vehicle unless they are a licensed dealer or the person who possesses the title to the vehicle being sold and it is titled in the seller's name. This would stop "double transfers" at the Motor Vehicle Division and "open titles" by non-dealers. Motor Vehicle Division Customer Service Centers and private agents would have to adopt procedures so that only the registered owner of a used vehicle would be allowed to transfer that vehicle to another consumer.

The Motor Vehicle Division would have to make procedural changes, provide additional training and revise the title document. These tasks could most likely be accomplished with current resources.

TECHNICAL ISSUES

TRD requests the following clarification:

Section 3 (A) states: "Unless the seller is a used motor vehicle dealer, before a seller attempts to sell the used motor vehicle, the seller shall possess the title to the used motor vehicle and the title shall be in the seller's name."

Better language might be: "..., the seller shall possess documentation of title to the motor vehicle and any other necessary documentation indicating that the seller has the authority to transfer title to the motor vehicle." This would resolve the problem of a title with multiple names on it, whether it is an "A and B" as legal owners or "A or B" as legal owners. In the "A and B" situation, either both A and B must have signed or B, if signing alone, would have to present appropriate documentation (such as a power of attorney or probate court documents) to transfer title.

The language in the bill is not clear because a person can have title to a motor vehicle without having the documentation of title, especially in a joint ownership situation.

DW/njw:sb