

# SENATE BILL REPORT

## SHB 1873

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As Reported By Senate Committee On:  
Law & Justice, March 21, 1995

**Title:** An act relating to consumer leases.

**Brief Description:** Regulating consumer leases.

**Sponsors:** House Committee on Law & Justice (originally sponsored by Representatives Padden, Costa and Hickel; by request of Attorney General).

**Brief History:**

**Committee Activity:** Law & Justice: 3/21/95 [DP].

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### SENATE COMMITTEE ON LAW & JUSTICE

**Majority Report:** Do pass.

Signed by Senators Smith, Chair; C. Anderson, Vice Chair; Haugen, Johnson, Long, Roach and Schow.

**Staff:** Martin Lovinger (786-7443)

**Background:** A very significant number of the complaints received by the Attorney General's Consumer and Business Fair Practices Division is directly attributable to consumer leases of motor vehicles. Many of the concerns stem from misunderstanding the cost of these leases. In many cases the confusion is caused by intentionally misleading information. Misleading lease information also interferes with fair competition among dealers. It is felt that clarifying and mandating the information that must be contained in motor vehicle lease agreements will result in healthier competition for dealers and a reduction in consumer complaints.

Among the items that cause confusion are: determining the actual "adjusted capitalized cost" upon which the lease payments are based; how the sales tax exemption on a trade in vehicle applies to the lease payments; the financial consequences of breaking a lease before it expires; whether the transaction is a lease or purchase agreement; and the amount of equity or value the vehicle will have at the end of the lease.

**Summary of Bill:** Leases of motor vehicles are exempt from the \$25,000 limit for application of state laws regulating consumer leases.

A definition and disclosure requirements for "capitalized cost," "capitalized cost reduction," and "adjusted capitalized cost" are provided. The lease agreement must warn about costs of early termination. The agreement must also disclose the effect on the lease payments of any sales tax exemption on a trade-in vehicle.

In connection with offering a consumer lease of a motor vehicle, it is unlawful to: (1) use false, deceptive, or misleading advertising; (2) misrepresent material terms, the lease as a purchase agreement, or the value the leased vehicle will have at the end of the lease; or (3) to fail to comply with the federal Consumer Leasing Act.

A violation of the state consumer lease laws is a per se violation of the Consumer Protection Act. Courts may award damages under either federal or state law, but not both.

The consumer lease law remedies are cumulative and not exclusive of other available remedies.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect on January 1, 1996.

**Testimony For:** This bill requires disclosure of information which will enable consumers to determine the comparative costs for leasing a vehicle.

**Testimony Against:** None.

**Testified:** Doug Walsh, Assistant Attorney General (pro).