

HOUSE BILL REPORT

ESHB 1939

As Passed House:

March 9, 2009

Title: An act relating to vehicle dealer documentary service fees.

Brief Description: Concerning vehicle dealer documentary service fees.

Sponsors: House Committee on Transportation (originally sponsored by Representatives Takko, Armstrong, Morris, Springer, Eddy, Wood, Warnick, Ericksen, Sells, Kenney, Simpson, Moeller, Ormsby and Wallace).

Brief History:

Committee Activity:

Transportation: 2/24/09, 2/27/09 [DPS].

Floor Activity

Passed House: 3/9/09, 73-22.

Brief Summary of Engrossed Substitute Bill

- Increases the documentary service fee that a vehicle dealer may charge from \$50 to \$150 until July 1, 2014.
- Discloses in writing by the dealer to the purchaser or lessee that the documentary service fee is negotiable and dealer must not represent the fee as being required by Washington.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 22 members: Representatives Clibborn, Chair; Liias, Vice Chair; Armstrong, Campbell, Driscoll, Eddy, Ericksen, Finn, Herrera, Johnson, Klippert, Moeller, Morris, Rolfes, Sells, Simpson, Springer, Takko, Upthegrove, Wallace, Williams and Wood.

Minority Report: Do not pass. Signed by 4 members: Representatives Roach, Ranking Minority Member; Rodne, Assistant Ranking Minority Member; Cox and Flannigan.

Staff: Jerry Long (786-7306)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Background:

A vehicle dealer may charge a maximum documentary service fee of \$50 per vehicle sale or lease to cover administrative costs for collecting motor vehicle excise taxes; licensing, registration, and other agency fees; verifying and clearing titles; and perfecting, releasing, or satisfying liens or other security interests.

The documentary service fee must: be disclosed in writing to a prospective purchaser or lessee before the execution of a purchase and sale or lease agreement; not be represented to the purchaser as a fee or charge required by Washington to be paid by the dealer or the vehicle buyer; and be disclosed in any advertisement that a documentary service fee in an amount up to \$50 may be added to the sale price or the capitalized cost.

Summary of Engrossed Substitute Bill:

The documentary service fee that a vehicle dealer may charge on a vehicle sale or lease is increased from a maximum of \$50 to a maximum of \$150 until July 1, 2014. On July 1, 2014, the fee is returned to a maximum of \$50.

The dealer must disclose to the purchaser or lessee in writing that the documentary service fee is a negotiable fee. The disclosure must be written in a typeface that is at least as large as the typeface used in the standard text of the document that contains the disclosure. The dealer must not represent to the purchaser or lessee that the fee or charge is required by the state to be paid by either the dealer or prospective purchaser or lessee.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) The increase in the fee will help vehicle dealers due to the economic downturn and lost revenue. This will also assist them in being more competitive with neighboring states. The dealers pay business and occupation tax on their gross service fee revenue, so this also helps Washington. The fee needs to be in statute to have an upper limit on the fee, so that a bad dealer cannot charge an unrealistic high fee to their customers. In Idaho the average fee is \$150 with no limits, and in Oregon the fee is \$75. This reimburses the dealers for the paper work the state requires when executing a vehicle transaction. The disclosure that the fee is negotiable and that there is a fee needs to stand out in the purchase or lease agreements.

(Opposed) The fee has to do with economic justice. It concerns the affordability of vehicles and, instead of increasing profits to the vehicle dealer, the bill increases the cost of the vehicle to the consumer. The work done should match the fee that is charged. Most consumers do not know about the fee and also that the fee is negotiable. This is a friendly

bill towards the vehicle dealers, but not a consumer-friendly bill. This fee increases the profit to the vehicle dealers on the bottom line by millions of dollars. There should be more done to educate the public on the document service fee and that it is negotiable.

Persons Testifying: (In support) Representative Takko, prime sponsor; and Scott Hazlegrove, Washington State Auto Dealers Association.

(Opposed) Nick Straley, Columbia Legal Services; and Bruce Reeves, Senior Citizen's Lobby.

Persons Signed In To Testify But Not Testifying: None.