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**Business & Financial Services Committee**

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**HB 1722**

**Brief Description:** Eliminating wholesale vehicle dealer licensing.

**Sponsors:** Representatives Kirby and Vick.

**Brief Summary of Bill**

- Prohibits the Department of Licensing (DOL) from issuing new wholesale vehicle dealer licenses, effective July 1, 2017.
- Prohibits the DOL from renewing any wholesale vehicle dealer licenses, effective July 1, 2018.
- Eliminates the wholesale vehicle dealer license category completely, effective July 1, 2019.

**Hearing Date:** 2/7/17

**Staff:** Peter Clodfelter (786-7127).

**Background:**

Licensed Vehicle Dealers Generally.

The Department of Licensing (DOL) is responsible for licensing all motor vehicle dealers operating in Washington. A "vehicle dealer" is defined to include a person, business, or trust that is engaged in the business of buying, selling, listing, exchanging, offering, brokering, leasing with an option to purchase, or advertising the sale of new or used vehicles, irrespective of whether the motor vehicles are owned by that person.

With certain exceptions, a person selling more than four vehicles per year that are registered to the person must have a vehicle dealer license. A person selling any vehicles not registered to the person must have a vehicle dealer license. In addition to the license requirement, vehicle dealers must file a surety bond with the DOL. Generally, the surety bond must be in the amount of \$30,000.

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Within the broad category of "vehicle dealers" are several subcategories of vehicle dealers. The license fee for each type of vehicle dealer license is \$975, except for each "subagency" of a vehicle dealer, which is a \$100 license fee. The subcategories of vehicle dealers are the following:

- A "motor vehicle dealer" is a vehicle dealer that deals in new or used motor vehicles.
- A "retail vehicle dealer" is a vehicle dealer that may buy and sell vehicles at both wholesale and retail.
- A "wholesale vehicle dealer" is a vehicle dealer that buys and sells other than at retail.
- A "mobile home and travel trailer dealer" is a vehicle dealer that deals in mobile homes, park trailers, or travel trailers.
- A "miscellaneous vehicle dealer" is a vehicle dealer that deals in motorcycles or vehicles other than motor vehicles or mobile homes and travel trailers. (\$5,000 surety bond instead of \$30,000 surety bond.)
- A "subagency" is any place of business of a vehicle dealer within the state, which is physically and geographically separated from the principal place of business of the firm or any place of business of a vehicle dealer within the state, at which place the firm does business using a name other than the principal name of the firm, or both.

The business of a vehicle dealer must be lawfully carried on at an established place of business in accordance with the terms of all applicable building code, zoning, and other land-use regulatory ordinances. An established place of business is a permanent, enclosed commercial building located in Washington that is easily accessible at all reasonable times. Generally, a vehicle dealer's building must be kept open to the public so that the public may contact the vehicle dealer or the vehicle dealer's salespersons at all reasonable times (at least 10:00 a.m. to 4:00 p.m.).

#### Wholesale Vehicle Dealers.

Certain requirements that apply to other types of vehicle dealers do not apply to wholesale vehicle dealers and additional specific requirements apply to wholesale vehicle dealers. Wholesale vehicle dealers are not required to maintain normal business hours, are not required to have a building that is kept open to the public at all reasonable times, and are not required to have a telephone book listing, like other vehicle dealers. But all storage facilities for a wholesale vehicle dealer's inventory must be listed with the DOL and comply with local land use ordinances. Also, a wholesale vehicle dealer must maintain a telecommunications system, and an exterior sign, visible from the nearest street, must identify the wholesale vehicle dealer's business name and the nature of business. If a wholesale vehicle dealer and another vehicle dealer or dealers businesses share a location, all records, office facilities, and inventory, if any, must be physically segregated and clearly identified. Because of legislation enacted in 2016, wholesale vehicle dealers are also required to buy from or sell vehicles to other Washington licensed vehicle dealers. And a wholesale vehicle dealer's required office facilities must be in a commercial building in which there are not more than two other wholesale or retail vehicle dealers in the same building.

#### **Summary of Bill:**

The wholesale vehicle dealer license is phased out over a two-year period. Effective July 1, 2017, the Department of Licensing (DOL) may not issue any new wholesale vehicle dealer licenses. Effective July 1, 2018, the DOL may not renew any wholesale vehicle dealer licenses.

On July 1, 2019, the wholesale vehicle dealer license category and all references to wholesale vehicle dealers are removed from law.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** Section 1 takes effect on June 30, 2017. Sections 2 through 6 take effect on July 1, 2019.