

# HOUSE BILL REPORT

## EHB 2808

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### As Passed Legislature

**Title:** An act relating to vehicle dealer licensing.

**Brief Description:** Concerning vehicle dealer licensing.

**Sponsors:** Representatives Kirby and Walsh.

**Brief History:**

**Committee Activity:**

Business & Financial Services: 1/23/18, 1/24/18 [DP].

**Floor Activity:**

Passed House: 2/13/18, 96-2.

Passed Senate: 3/1/18, 49-0.

Passed Legislature.

#### Brief Summary of Engrossed Bill

- Requires the Department of Licensing to renew a wholesale vehicle dealer license of a dealer who has held the license for the previous six years, while otherwise retaining the elimination of the license category pursuant to the 2017 law phasing out the license over a two-year period.

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### HOUSE COMMITTEE ON BUSINESS & FINANCIAL SERVICES

**Majority Report:** Do pass. Signed by 11 members: Representatives Kirby, Chair; Reeves, Vice Chair; Vick, Ranking Minority Member; Walsh, Assistant Ranking Minority Member; Barkis, Bergquist, Blake, Jenkin, McCabe, Santos and Stanford.

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

**Background:**

A 2017 law (House Bill 1722) is phasing out the wholesale vehicle dealer license 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

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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.

Until July 1, 2019, 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 or display facilities, 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 a 2016 law, 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. Pursuant to the 2017 law, the wholesale vehicle dealer license will be eliminated from law on July 1, 2019.

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

The 2017 law phasing out and repealing the wholesale vehicle dealer license over a two-year period (July 2017 to July 2019) is amended to require the Department of Licensing (DOL) to renew a wholesale vehicle dealer license of a wholesale vehicle dealer who has held the license continuously for at least the previous six years from the effective date of the act and who otherwise meets the requirements applicable to wholesale vehicle dealers. Otherwise, the phase out of the wholesale vehicle dealer license is retained insofar as the DOL is prohibited from otherwise issuing new or renewed wholesale vehicle dealer licenses.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect on July 1, 2018.

#### **Staff Summary of Public Testimony:**

(In support) This is a technical cleanup bill to fix an issue that arose while implementing a new 2017 law (HB 1722). The new 2017 law is currently eliminating the wholesale vehicle dealer license over a two-year period. The license is being eliminated because the license is used by out-of-state people to commit crimes, and there are enforcement problems. Attempts were made in 2016 to add more requirements to the license to make it harder for people who do not live or work in Washington to obtain and use a license, but the 2016 law failed to solve the problem. All possible solutions to the problem were considered, and the decision was made in 2017 to eliminate the wholesale vehicle dealer license category, which is a step

that other states facing this same issue have taken. During the process in 2017, concerns were raised about unintentionally putting good actors out of work while eliminating the license category. But the decision was made to continue forward with eliminating the license because, at the time, it appeared that few people were still using the business model, and perhaps some could find arrangements with retail vehicle dealers to continue their operations after transitioning to a retail vehicle dealer license. However, it is now apparent that something needs to be done to ensure that the remaining licensed wholesale vehicle dealers who do live or work in Washington are not put out of business by the 2017 law, because there are still people who have this business model. This bill makes a small change to the 2017 law to grandfather in existing wholesale vehicle dealers who have been continuously licensed for the previous six years. This will allow people who have built careers as wholesale vehicle dealers to finish their careers, and continue to have their license renewed until they retire. This bill still prohibits new licenses from being issued and licenses from being renewed except for the limited exception, so eventually the license will still be eliminated.

(Opposed) None.

**Persons Testifying:** Representative Kirby, prime sponsor.

**Persons Signed In To Testify But Not Testifying:** None.