

SENATE BILL REPORT

HB 1722

As of March 13, 2017

Title: An act relating to wholesale vehicle dealers.

Brief Description: Eliminating wholesale vehicle dealer licensing.

Sponsors: Representatives Kirby and Vick.

Brief History: Passed House: 3/03/17, 71-26.

Committee Activity: Transportation: 3/13/17.

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.

SENATE COMMITTEE ON TRANSPORTATION

Staff: Kellee Keegan (786-7429)

Background: 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.

Within the broad category of vehicle dealers are several subcategories of vehicle dealers. The vehicle dealer license fee is \$975. 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;

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- a wholesale vehicle dealer is a vehicle dealer that buys and sells other than at retail and who buys vehicles from or sells vehicles to other Washington licensed dealers;
- a mobile home and travel trailer dealer is a vehicle dealer that deals in mobile homes, park trailers, or travel trailers; and
- a miscellaneous vehicle dealer is a vehicle dealer that deals in motorcycles or vehicles other than motor vehicles or mobile homes and travel trailers.

The business of a vehicle dealer must be at an established place of business in accordance with the terms of all applicable regulatory ordinances. An established place of business is a permanent, enclosed commercial building located in the state of Washington that is easily accessible at all reasonable times. A retail vehicle dealer must also maintain display facilities.

Wholesale Vehicle Dealers. Unlike other vehicle dealers, wholesale vehicle dealers are not required to:

- maintain normal business hours or display facilities;
- to have a building that is kept open to the public at all reasonable times; and
- to have a telephone book listing.

Wholesale vehicle dealers are required to:

- list all storage facilities of a wholesale vehicle dealer's inventory with the DOL and comply with local land use ordinances;
- maintain a telecommunications system and an exterior sign visible from the nearest street;
- identify and post the wholesale vehicle dealer's business name and nature of business;
- not have more than two other wholesale or retail vehicle dealers in the same building; and
- buy from or sell vehicles to other Washington licensed vehicle dealers.

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.

Summary of Bill: The wholesale vehicle dealer license is phased out over a two-year period. Effective July 1, 2017, the 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.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.

Staff Summary of Public Testimony: PRO: This license is being used to commit illegal acts across the country. Removing the wholesale vehicle dealer license is how other states have fixed this issue. The way this state licenses these businesses is old school. By eliminating the license, it removes the problem that the state has now with regulating them. There are significant issues of fraud with these wholesale vehicle dealers licenses. There was an effort last year to make a change in the law to address the issues that the agency saw coming in, but it was not accomplished. DOL worked with the industry on this. The Attorney General's office is also on board with this. The phase-out of the license will allow individuals with these licenses the time to get a retail license.

Persons Testifying: PRO: Representative Steve Kirby, Prime Sponsor; Tony Sermonti, Dept. of Licensing.

Persons Signed In To Testify But Not Testifying: No one.