

---

## Transportation Committee

---

### ESSB 6354

**Brief Description:** Advancing transportation electrification by expanding access to electric vehicles already being sold in Washington and increasing associated funding.

**Sponsors:** Senate Committee on Transportation (originally sponsored by Senators Liias and King).

#### Brief Summary of Engrossed Substitute Bill

- Authorizes a new motor vehicle manufacturer to provide direct sales of its own vehicles if certain criteria are met and the qualifying manufacturer applies for, and maintains, a vehicle dealer license.
- Increases the vehicle dealer documentary service fee by \$50 for a 10-year period, with the first \$25 of each fee collected to be used for instant rebates to reduce the purchase or lease costs of electric vehicles for vulnerable populations, and to be deposited into the Multimodal Transportation Account.

**Hearing Date:** 3/5/26

**Staff:** Mark Matteson (360) 786-7145

#### Background:

A new motor vehicle manufacturer or new motor vehicle brand owner maintains a relationship with a new motor vehicle dealer through a franchise agreement. Certain responsibilities of each party are delineated in state law and the franchise agreement between the parties.

Under such state law, various practices are deemed unfair and prohibited, including that a manufacturer may not compete with a dealer of any make or line by acting in the capacity of a

---

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

dealer, or by owning, operating, or controlling, whether directly or indirectly, a motor vehicle dealership in the State of Washington.

One exception from the prohibition on competing with a dealer provides that it is not a violation for a manufacturer that held a Washington vehicle dealer license on January 1, 2014, to own, operate, or control a new motor vehicle dealership that sells new vehicles that are only of that manufacturer's makes or lines and that are not sold as new by a licensed independent franchise dealer. The manufacturer may also own, operate, or control or contract with companies providing financing, leasing, or servicing its own makes and lines of vehicles.

To act, engage in business, or advertise themselves as, or solicit sales of or distribute or transfer vehicles for resale as, a vehicle dealer or a vehicle manufacturer, a person, firm, or association must first obtain and hold a dealer or manufacturer license upon application to the Department of Licensing (DOL). For vehicle dealers, the application must contain several pieces of information, including proof of the applicant's identity, the applicant's form and place of business, the qualification and business history of the applicant, and several other items. For a vehicle manufacturer, the application must contain evidence that the applicant is authorized to do business in the state, the names of the vehicles that the applicant manufactures, the names and addresses of each distributor, factory branch and factory representative, and several other items. Vehicle dealer applicants must pay a fee of \$975 for the principal place of business and for each license classification for original licenses, and \$325 for renewals. Manufacturer applicants must pay a fee of \$500 for original licenses and \$250 for renewals.

The Director of the DOL (Director) may deny a license to a vehicle dealer applicant or vehicle manufacturer applicant for several reasons related to the application. The Director may deny a license if:

- the application is a subterfuge concealing the real person in interest with a license that has been denied, suspended, or revoked for cause;
- the application was not filed in good faith; or
- issuance of a license would cause a manufacturer to be in violation of provisions governing franchise agreements.

The Director may suspend or revoke the license of any vehicle dealer or vehicle manufacturer, and may assess civil penalties of \$1,000 or less per violation, for certain actions or practices. With respect to vehicle dealers, a license may be suspended or revoked if: the dealer has been found guilty of a crime which directly relates to the business of the dealer within the last 10 years; the dealer has provided the DOL with false information relating to the number of vehicle sales transacted during the past year; and several other actions and practices. With respect to vehicle manufacturers, a license may be suspended or revoked if: the manufacturer sells a vehicle with a warranty attached and refused to honor the warranty; has failed to comply with the Washington laws on vehicle titling and registration; and several other actions and practices.

Violation of the laws governing the licensing of motor vehicle dealers and motor vehicle manufacturers is a gross misdemeanor. In addition, several specific actions and practices are

deemed to be unlawful. It is unlawful, for example, for a dealer to include terms that include as an added cost to the selling price, an amount for vehicle licensing or title which is not actually due and paid to the state. However, a vehicle dealer may charge a documentary service fee of \$200 for each vehicle sale or lease to recover administrative costs for related transaction fee and tax collection and materials processing if:

- the fee is disclosed in writing to the customer before the sale or lease and separately designated from the selling price or capitalized cost of the vehicle; and
- the dealer discloses in writing to the customer the fee is negotiable, does not represent the fee is a state requirement, and discloses in any advertisement that such fee may be added to the sale price or capitalized cost.

### **Summary of Bill:**

A manufacturer may own, operate, or control a new motor vehicle dealership that sells new vehicles of its own makes or lines, or own, operate, or control companies that provide financing, leasing, or services for vehicles of its own makes or lines, if the manufacturer:

- is incorporated in the United States;
- has never entered into a franchise agreement with a motor vehicle dealer;
- has operated at least one service facility in the state as of January 1, 2026; and
- exclusively produces battery electric vehicles, of which at least 300 were registered in the state before January 1, 2026.

A battery electric vehicle is defined as any vehicle that operates solely by or is powered primarily through use of a battery or battery pack, but uses a flywheel or capacitor that stores energy produced by the electric motor or through regenerative braking to assist in vehicle operation, so long as neither the battery, battery pack, flywheel, or capacitor rely on power generated by fossil fuels or hydrogen.

A qualifying manufacturer may not distribute vehicles on behalf of a manufacturer prohibited by law from acting in the capacity of a motor vehicle dealer. A manufacturer prohibited by law from acting in the capacity of a motor vehicle dealer may not use its ownership interest in a qualifying manufacturer to violate other exemptions to unfair practices relating to competition with new motor vehicle dealers. A private party may initiate an action to obtain relief and enjoin such violations.

A qualifying manufacturer must apply for, and maintain, a vehicle dealer license to own, operate, or control a motor vehicle dealership. Upon application, the qualifying manufacturer must submit to the DOL a sworn affidavit by its authorized agent attesting the manufacturer satisfies the eligibility criteria to own, operate, or control a motor vehicle dealership as authorized. The Director must deny a vehicle dealer license to a qualifying manufacturer if issuance of the license would cause a manufacturer to be in violation of the laws governing manufacturer and dealer franchise agreements.

If a qualifying manufacturer ceases to satisfy such eligibility criteria, the DOL must revoke its

vehicle dealer license within 30 days. A penalty of \$10,000 must be assessed for each retail sale or lease transaction consummated by a manufacturer prohibited by law from acting in the capacity of a motor vehicle dealer. The DOL and the Attorney General's Office must enforce the provisions concerning license revocation and penalties.

The vehicle dealer documentary service fee is increased from \$200 to \$250 until December 31, 2036, with the first \$25 collected to be distributed as follows:

- 35 percent to the Electric Vehicle Account for instant rebates to reduce purchase or lease costs of electric vehicles for vulnerable populations under a newly created incentive program administered by the Department of Commerce; and
- 65 percent to the Multimodal Transportation Account.

The vehicle dealer documentary service fee is reduced to \$225, beginning January 1, 2037.

By June 30, 2027, each vehicle dealer must submit to the DOL the number of vehicles sold or leased and the amount of documentary service fee remitted since the effective date of the bill, and any other information as determined by the DOL for compliance review purposes. The DOL may establish reporting, record retention, and other audit requirements for verification and compliance review purposes, as dictated by each dealer's initial license and license renewal cycle. The DOL must incorporate into the vehicle dealer licensing process appropriate audits to ensure remittance requirement compliance, which may include sample audits. The DOL may adopt rules regarding the documentary service fee remittance process, including modified requirements for vehicle dealers that opt not to charge the fee. Failure to comply with the new fee remittance process is an unlawful act or practice, with potential dealer license denial or suspension as determined by the DOL in rule.

**Appropriation:** None.

**Fiscal Note:** Available. New fiscal note requested on March 4, 2026.

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