

HOUSE BILL REPORT

ESSB 6354

As Reported by House Committee On:
Transportation

Title: An act relating to advancing transportation electrification by expanding access to electric vehicles already being sold in Washington and increasing associated funding.

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 History:

Committee Activity:

Transportation: 3/5/26, 3/9/26 [DPA].

Brief Summary of Engrossed Substitute Bill
(As Amended by Committee)

- 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 \$25 for a 10-year period, with the first \$25 of each total fee of \$225 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.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass as amended. Signed by 21 members: Representatives Fey, Chair; Bernbaum, Vice Chair; Donaghy, Vice Chair; Reed, Vice Chair; Barkis, Ranking Minority Member; Low, Assistant Ranking Minority Member; Mendoza, Assistant Ranking

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.

Minority Member; Schmidt, Assistant Ranking Minority Member; Bronoske, Duerr, Entenman, Griffey, Hackney, Hall, Klicker, Ley, Nance, Ramel, Stuebe, Wylie and Zahn.

Minority Report: Without recommendation. Signed by 4 members: Representatives Dent, Paul, Richards and Timmons.

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 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 Amended 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 (BEVs), 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, nor 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 \$225 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 (EVs) 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 \$200, 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.

Amended Bill Compared to Engrossed Substitute Bill:

As compared to the engrossed substitute bill, the amended bill reduces the increase in the documentary service fee by \$25, such that the total to be collected is \$225 until the end of 2036, after which it reverts the current law amount of \$200.

Appropriation: None.

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

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

Staff Summary of Public Testimony:

(In support) This bill would permit certain makers of other BEVs to obtain a vehicle dealer's license and sell directly to consumers, ensuring seamless customer service. This would create a clean and certain regulatory framework for these manufacturers. In addition, the funds generated by the documentary service fee would support rebates for EV purchases by low-income buyers and would support the Multimodal Transportation Account. These investments support the state's commitment to making EVs affordable and accessible and to meeting the state's goal of electrifying all new vehicles by 2035.

It will be difficult to meet the state's climate pollution goals over the next several years and so a big increase in zero-emission vehicle sales would help. Independent research shows that allowing direct sales of EVs could spur zero-emission vehicle adoption by up to 13 percent by 2030. This action is recommended in the state's transportation electrification strategy.

This proposal comes in the face of significant headwinds in accelerating EV adoption. This includes the expiration of the federal tax credit and the recent lapsing of state incentives for passenger EVs. The proposal to provide funding for instant EV rebates for low-income people is therefore very important. It will help recipients save around \$1,500 each year on fueling and maintenance costs.

The Port of Seattle (Port) supports this measure because it helps with two goals. First, allowing direct sales in EVs answers a perennial issue regarding the reduction of carbon-related emissions for transportation to and from port facilities. Prohibitions against gifts to public funds have restricted the ability in the past to help transportation network companies and other private sector transportation operators make the transition to low- and zero-

emission vehicles. Second, creating more opportunities and competitors in the EV market will help reduce costs as the Port looks to decarbonize its own fleet of vehicles and transition towards net zero.

The bill represents a compromise between auto dealers and Rivian. It contains three important components. One, it strengthens the current prohibition against manufacturers competing unfairly with the dealers they have used to build their business in this state. Second, it expands a limited exemption to allow direct sales for a couple of manufacturers with proven products on the market and who have never relied on Washington dealers. Third, it allows for a modest increase in the negotiable amount dealers can charge consumers to prepare titling and registration paperwork, and splits the increase with the state to support EV access and multimodal investments.

With respect to the prohibition against manufacturers competing unfairly with dealers, the bill strengthens this aspect by requiring anyone selling a new car in the state to operate under the rules that apply to dealers. It increases enforcement of these laws, as well. Also, the bill clarifies that existing manufacturers cannot acquire a dealer that is authorized to sell directly to consumers to take advantage of this special exemption. It also prevents manufacturers from circumventing the law by establishing a subsidiary or affiliate and claiming to be a separate company without a dealer network.

Without this bill, direct sales are likely to expand and jeopardize the existence of dealerships in communities across the state.

This is a balanced and practical compromise that enables those direct sale EV manufacturers already operating in Washington to license existing and future retail and service locations. This puts everybody on the same playing field.

(Opposed) This bill will allow new market EV manufacturers to enter the Washington market while bypassing the franchise model required for legacy automakers. Legacy automakers share the goal of Washington to bring EVs to the market, designed to be affordable and accessible to all consumers, and some have a goal of completely electrifying their fleets in the coming years. Legacy automakers are also firmly committed to the existing manufacturer-dealer franchise model. The dealers under this model are trusted and valued business partners and there is no plan for manufacturers to compete with them. The support of this proposal by Washington auto dealers is disappointing because it signals a slow erosion of a franchise system that has proven to be beneficial for manufacturers, dealers, and customers alike. The current system has also proven to be highly effective at selling and servicing EVs. There is nothing stopping the manufacturers that benefit from the exemption in this bill to the manufacturer-dealer franchise framework from selling in this state via the existing dealer laws, except a decision by their respective leaders to bypass the system. This bypass creates a huge competitive advantage over legacy manufacturers in a hypercompetitive market. The competition should be fair and this proposal does not create a level playing field. Legacy automakers were excluded from discussion on this

proposal entirely.

State laws regulating the sale and service of vehicles must treat all competitors equally. This proposal creates a playing field that is not level. It directly undermines the commitment to affordability by granting preferential treatment and reducing competitive pressure on pricing for some.

If this bill moves forward, the Legislature should build upon the proposed EV incentive program in the bill to include more robust rebates and structure the funding so that affordability and accessibility is prioritized. Consumer protections are vital, as is the importance to negotiate in good faith with the auto manufacturers. Another amendment that should be considered is to require direct sales manufacturers to secure bonding, similar to what franchise dealers are already required to do in the state.

Should a direct sales manufacturer go out of business, as has already happened in the United States, there is no safety net of independent dealers that consumers can rely on. This means higher risks with a bigger fallout for Washingtonians. The bonding requirement should be clarified to ensure protections to consumers. A bonding requirement of \$1 million would provide some protection for consumers purchasing from a direct sales manufacturer.

The Alliance for Automotive Innovation opposes this proposal because it creates a carve-out allowing two manufacturers to operate outside the framework. If this legislation moves forward, it is important to address reasonable guardrails to serve consumers and provide stability in the marketplace. In addition to other amendment proposals mentioned, the Legislature should put a temporary pause on additional changes to the vehicle manufacturer-dealer franchise statutes. A defined pause would provide the predictability needed for manufacturers, dealers, and customers alike.

The Legislature should consider adding cost containment provisions around warranty and repair compensation. Warranty repairs are a major component of vehicle ownership costs, and ensuring transparency and responsible parameters for those systems help prevent unnecessary cost escalations for Washington drivers.

(Other) For legacy automakers, it is really important that when people purchase vehicles that they have a reliable place to go to have these vehicles serviced and taken care of. Also, the role that dealers play in their individual communities is critical. Direct sales would undermine these aspects. If a person buys a legacy automaker vehicle in Tacoma, Chehalis, Yakima, or Walla Walla, they know that they can go to a place in their home town and get their car serviced. The franchise model should continue to be supported and, if this bill moves forward, consider amending the bill to include service protections for consumers.

Persons Testifying: (In support) Abigail Ramsden, Rivian; Daniel Witt, Lucid Motors; Leah Missik, Climate Solutions; Scott Hazlegrove, WA State Auto Dealers Association; and John Flanagan, Port of Seattle.

(Opposed) Craig Orlan, American Honda Motor Company; Carrie Tellefson, Ford; Austin Neilson, General Motors; and Brandon Houskeeper, Alliance for Automotive Innovation.

(Other) Jennifer Ziegler, Toyota Motor North America.

Persons Signed In To Testify But Not Testifying: None.