

SENATE BILL REPORT

ESSB 6354

As Amended by House, March 11, 2026

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: 2/24/26, 2/27/26 [DPS, DNP, w/oRec].

Floor Activity: Passed Senate: 3/3/26, 46-3.

Passed House: 3/11/26, 84-9.

Brief Summary of Engrossed First 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 ten-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.

SENATE COMMITTEE ON TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 6354 be substituted therefor, and the substitute bill do pass.

Signed by Senators Liias, Chair; Krishnadasan, Vice Chair; Lovick, Vice Chair; King,

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.

Ranking Member; Alvarado, Chapman, Cortes, Fortunato, Harris, Holy, Hunt, Shewmake and Valdez.

Minority Report: Do not pass.

Signed by Senators Christian and Lovelett.

Minority Report: That it be referred without recommendation.

Signed by Senators Goehner, Assistant Ranking Member; MacEwen and Wilson, J..

Staff: Brandon Popovac (786-7465)

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 Washington State.

One exception from the prohibition on competing with a dealer provides that it is not a violation for a manufacturer that held a Washington State 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, a person, firm, or association must first obtain and hold a dealer license upon application to the Department of Licensing (DOL).

The director may suspend or revoke a dealer license due to certain actions or practices. The director of DOL may deny a dealer license if:

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

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 Engrossed First Substitute 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.

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, and excluding components that rely on power generated by fossil fuels or hydrogen.

Such 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 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.

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 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. If a qualifying manufacturer ceases to satisfy such eligibility criteria, DOL must revoke its vehicle dealer license within 30 days. The director of DOL 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.

DOL and AGO must enforce provisions regarding vehicle dealer license revocation and penalties related to the unlawful sale or lease of vehicles by manufacturers prohibited by law from acting in the capacity of a motor vehicle dealer

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 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 DOL for compliance review purposes. 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. DOL must incorporate into the vehicle dealer licensing process appropriate audits to ensure remittance requirement compliance, which may include sample audits. 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 DOL in rule.

Appropriation: None.

Fiscal Note: Available.

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

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: *The committee recommended a different version of the bill than what was heard.* PRO: The bill represents a compromise between certain electric vehicle (EV) automakers and vehicle dealers, and provides opportunities for low-income persons to purchase EVs. There is a need to massively increase EV sales, with research showing direct EV sales can improve climate goals. The bill is a good response to the cancellation of federal EV credits and lack of other state incentives. The bill provides necessary safeguards against unfair competition and represents an equitable compromise. EV manufacturers would be required to follow the same laws as applied to other vehicle dealers. The bill reflects legislative intent of fair competition. Unrestricted manufacturer sales would provide a real threat to vehicle dealerships, especially smaller ones. Many manufacturers already impose strict demands on their professional business practices. The bill keeps guardrails in place to prevent abuse from other vehicle manufacturers. The bill strikes a good balance and prevents the destruction of small vehicle dealerships, especially ones that often represent familial legacies and

participate in community events. There has been an overall lack of enforcement for unlawful vehicle sales, and this bill establishes clear limits and penalties consistent with the vehicle dealership regulatory scheme. The bill removes risk for certain manufacturers to do business in state, and ultimately benefits all vehicle consumers.

CON: The existing direct sales exemption is unfortunate and is made worse by the bill. The manufacturer-dealer franchise framework already works well for consumers, and there is nothing preventing manufacturers from opening up vehicle dealerships under the current franchise law framework. The bill is not representative of a compromise with other vehicle manufacturers, and every vehicle manufacturer should play by the same rules. Other manufacturers share the same goal of providing EVs to the vehicle market. The bill erodes the franchise law framework.

Persons Testifying: PRO: Senator Marko Liias, Prime Sponsor; Leah Missik, Climate Solutions; Vicki Giles Fabre, Washington State Auto Dealers Association; Susan Daaga, Washington State Auto Dealers Association; Mike Carroll, Washington State Auto Dealers Association; Greg Rairdon, Washington State Auto Dealers Association; Steve Hahn, Washington State Auto Dealers Association; Brad Brotherton, Washington State Auto Dealers Association; Abigail Ramsden, Rivian; Daniel Witt.

CON: Curt Augustine, Alliance for Automotive Innovation; Craig Orlan, American Honda Motor Co, Inc..

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

EFFECT OF HOUSE AMENDMENT(S):

- Removes the increase to the documentary service fee, including the distribution scheme of the portion of the fee increase to certain state accounts and the new reporting and auditing requirements.
- Increases the certificate of title application fee for motor vehicles acquired through a dealer from \$15 to \$40 between October 1, 2026, and December 31, 2036.
- Requires \$25 of the increased certificate of title application fee to be distributed as follows:
 1. 35 percent to the Electric Vehicle Account, for the provision of instant rebates that reduce the purchase or lease costs of electric vehicles for vulnerable populations; and
 2. 65 percent to the Multimodal Transportation Account.