



# Alaska State Legislature

## Representative Matt Claman

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### House Bill 146

#### Sponsor Statement — Version S

*"An Act relating to an application for a license to operate as a dealer in motor vehicles; and requiring a dealer in motor vehicles to maintain liability and property insurance."*

The purpose of House Bill 146 is to improve consumer protections for those purchasing motor vehicles by strengthening the requirements for motor vehicle dealers. Under current law, a motor vehicle dealer in Alaska must register biennially by filling out an application that requires an address, but not a valid telephone number. The application must be accompanied by a \$50 registration fee and a surety bond of \$50,000. There is no current requirement that dealers carry liability insurance even though we require drivers to have liability insurance for their vehicles – and dealers may allow uninsured drivers to take dealer-owned cars for a test drive.

Alaska's current statutory requirements for motor vehicle dealers are some of the least stringent in the country. By way of comparison, for an automobile dealership application to be valid in other states:

- Oregon – Chapter 822 of Oregon State Statutes provides for civil penalties for acting as a vehicle dealer without a certificate (.005-.009), the processes of applying for, and maintaining, an automobile dealer license and related exemptions, requirements, and privileges (.025-.042), grounds for revocation, suspension, or cancellation of the dealership certificate (.050), and further definition of illegal practices and associated penalties (.055-.080).
- Delaware – Title 21, Chapter 63 of the Delaware State Statutes provides for proof-of-location requirements and recordkeeping (§ 6303), license expiration and renewal procedures (§ 6304), retention of bill of sale records for a period of at least five years (§ 6305), in addition to grounds for revocation of dealer licenses (§ 6313);
- Texas – Title 14, Subtitle A, Chapter 2301 of the state's Occupations Code provides for public interest information and complaint procedures (Subchapter E), licensing requirements (Subchapter F), license expiration and renewal (Subchapter G), dealer operations (Subchapter H), grounds for license revocation (Subchapter N), as well as procedures for complaint hearings, judicial review, and penalties (Subchapters O, P, and Q).

Comparatively speaking, Alaska Statutes Title 8, Chapter 66 addresses the application form (.040) and registration renewal (.050); sets the minimum bond amount (.060), defines allowable action on bonds and defines failure to file a bond as a class A misdemeanor (.070, .080); and holds the dealer responsible for maintaining a record of each motor vehicle transaction (.320). Unlike Texas, Oregon, and Delaware, there are no statutes explicitly providing for a grievance process nor grounds for revocation of the license in question.

HB 146 aims to strengthen consumer protection by addressing two scenarios that may create problems for both consumers and dealers:

HB 146 seeks to provide better protection when one selling dealer sells multiple vehicles to a buying dealer and receives payment without providing titles (the titles are being held by the bank that provides a credit line for purchasing vehicles). The selling dealer plans to pay for the vehicles and get the titles, but runs into financial difficulties and is unable to continue making payments. When this happens, the bank repossesses the vehicles from the buying dealer. The buying dealer has now lost the money and decides to seek recompense from the selling dealer's bond. At present, the bond requirement under state law is \$50,000, which, depending on the type and quantity of vehicles, may be only a fraction of what is owed. Raising the bond amount will help protect the buying dealer in the event that the bank repossesses their new stock.

Another scenario that this bill addresses is "curbstoning," which is the act of selling used vehicles under the false pretense of being the car's owner in order to evade regulations that are imposed on state-licensed automobile dealers. When a dealer obtains a license, they are qualified to purchase cars at "dealer only" auctions at steep discounts. In these scenarios, the dealer is not required to disclose the fact that they are a licensed car dealer or that the vehicle has a reconstructed title or has known defects. If deemed a personal vehicle, the vehicle is not subject to a routine safety inspection. Often, the title is not placed in the dealer's name, the contact information provided is not the dealer's information, or the transaction takes place in cash, leaving little paper trail for the consumer to follow if issues arise. Requiring a verified working telephone number increases the consumer's ability to locate the dealer.

HB 146 would help protect against these two scenarios by requiring that those registering as motor vehicle dealers include more detailed information about their business in the application, register a bond for \$100,000 instead of \$50,000, and maintain liability insurance that covers collisions with dealer-owned cars.