

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 806 (Senator Patterson)
 Judicial Proceedings

Vehicle Laws - Dealers - Dealer Processing and Freight Charges

The bill expands the types of services that may be encompassed in a dealer processing charge by a vehicle dealer in a vehicle contract of sale, subject to the existing \$300 cap for the charge. The bill also modifies the manner in which a dealer processing charge must be disclosed as well as the content of the disclosure. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) expenditures increase by \$63,600 in FY 2020 for implementation costs. Revenues are not materially affected.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Revenues	\$0	\$0	\$0	\$0	\$0
SF Expenditure	63,600	0	0	0	0
Net Effect	(\$63,600)	\$0	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: The bill does not materially affect local finances or operations.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: As part of a dealer processing charge, a dealer may charge for (1) complying with federal or State data protection laws, or other legal or commercial standards established to protect consumer interests and privacy and (2) returning a customer’s registration plates for a trade-in vehicle to the Motor Vehicle Administration (MVA) and other administrative services associated with a transaction involving a trade-in

vehicle. The bill also repeals a requirement (1) that a vehicle contract of sale disclose the amount of the freight charge and (2) that a dealer attach a price statement to a vehicle window that includes the total price inclusive of any dealer processing charge. Instead, a vehicle dealer has to:

- disclose the amount of the dealer processing charge by placing a clear and conspicuous sign in the public sales area of the dealership (in a format approved by MVA) stating (1) the amount of the dealer processing charge and (2) that the charge is not required by law;
- file a notice with MVA stating the amount of the dealer processing charge; and
- send notice informing MVA of a planned increase in the amount of the dealer processing charge at least 15 days before the effective date of the increase.

Current Law: A vehicle dealer is authorized to charge a “dealer processing charge” for various services, including for (1) the preparation of written documentation of the transaction; (2) obtaining the title and license plates for the vehicle; (3) obtaining a lien release; (4) filing title documents with MVA; (5) retaining documentation and records of the transaction; (6) complying with federal or State privacy laws; or (7) other administrative services concerning the sale of the vehicle. A “dealer processing charge” does not include a charge to purchase or install tangible personal property on (or in) the vehicle, or to perform mechanical service on the vehicle.

The charge for these services must be reasonable and may not exceed \$300. Upon request by the purchaser of the vehicle, a dealer must provide a written disclosure of the services included in the dealer processing charge.

A contract for a vehicle sale must contain a statement (in 12-point type or larger) that specifies (1) the dealer charge and clarifies that the charge is not required by law and (2) the freight charge.

The amount of any dealer processing charge and freight charge must be included in the advertised price unless the dealer clearly and conspicuously discloses the amount of those charges in at least 10-point and bold font within reasonable proximity to the advertised price.

The dealer must attach its price statement to a window of the vehicle, next to any other required price disclosure. The price statement must state the total price for which the dealer is offering to sell the vehicle. The total price stated must include any dealer processing charge, which must be disclosed above the total price in at least 10-point type and specify that the dealer processing charge is not required by law. The total price may exclude only the taxes and title fees payable to the State.

State Expenditures: MVA advises that database modifications are necessary in order to capture the information provided by dealers under the bill. In fiscal 2020, TTF expenditures increase by \$63,600 for the required changes.

Small Business Effect: Because the bill expands the services for which a vehicle dealer may charge, any small business vehicle dealers may be able to obtain compensation under the bill that is currently not available. However, the bill also establishes new requirements with regard to dealer processing charges (including filing and notification requirements with MVA).

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation; Department of Legislative Services

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