

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 58 (Chairman, Judicial Proceedings Committee)
(Departmental – Transportation)

Judicial Proceedings

Commerce and Government Matters

Motor Vehicle Law - Licensing of Businesses and Occupations

This departmental bill allows vehicle dealers to conduct wholesale transactions at other dealership locations and auctions, broadens the type of annual dealer shows in which vehicle dealers can participate, and increases the surety bond requirements for new and used vehicle dealers whose annual sales exceed 1,000 vehicles.

Fiscal Summary

State Effect: The bill would not directly affect governmental operations or finances.

Local Effect: None.

Small Business Effect: The Motor Vehicle Administration (MVA) has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: The bill allows vehicle dealers to conduct wholesale transactions at auctions and other licensed dealership locations and allows vehicle dealers and salespersons to attend two annual vehicle shows of any type. A display of vehicles provided by a manufacturer is not considered a vehicle show if buyers' orders are not executed and no deposits are accepted. It also increases the surety bond requirements for certain dealerships. The proposed surety bond required for the sale of new vehicles during the preceding license year is:

- \$50,000 if 1 to 500 vehicles sold;
- \$75,000 if 501 to 1,000 vehicles sold;
- \$100,000 if 1,001 to 2,500 vehicles sold; and
- \$300,000 if over 2,500 vehicles sold.

The proposed surety bond schedule for the sale of used vehicles during the preceding license year is:

- \$15,000 for 1 to 250 vehicles;
- \$25,000 for 251 to 500 vehicles;
- \$35,000 for 501 to 1,000 vehicles;
- \$50,000 if 1,001 to 2,500 vehicles; and
- \$150,000 if over 2,500 vehicles.

The bond applies to the applicant's primary location and all supplemental locations if all the locations are licensed under the same dealer business license number.

Current Law: Vehicle dealers can generally conduct business only from a fixed location. A vehicle dealer or licensed vehicle salesperson employed by the dealer is restricted to participating in one industry-wide and one regional vehicle show annually.

The surety bond requirement for dealers licensed to sell new motor vehicles is \$50,000 based on the sale of 1 to 500 vehicles and \$75,000 based on the sale of over 500 vehicles. For used vehicles, the surety bond required is \$35,000 for the sale of over 500 vehicles.

Background: According to the MVA, eliminating this restriction on vehicle show participation will allow the dealers greater flexibility while maintaining control of the number of off-premise vehicle sales. The bill will affect 583 new vehicle dealers and 1,151 used vehicle dealers that operate in the State. The MVA also advises that under the surety bond requirements, dealers who sell over 1,000 vehicles will pay higher insurance rates for greater bond coverage. The current insurance rate for \$75,000 bond coverage is \$330.75 and, therefore, some dealers may pay twice the current rate or \$661 annually. The increased rate is intended to better protect consumers against dealerships that go out of business.

Small Business Effect: Minimal. MVA advises that the surety bond requirements would primarily affect large vehicle dealers, those with sales in excess of 1,000 vehicles in the previous year and with more than one location or franchise.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation (Motor Vehicle Administration), Department of Legislative Services

Fiscal Note History: First Reader – January 19, 2001
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