

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE

Senate Bill 96

(Chairman, Judicial Proceedings Committee)

(By Request – Departmental – Transportation))

Judicial Proceedings

Environmental Matters

Vehicle Laws - Dealer's Surety Bond - Trailers and Semitrailers

This departmental bill specifies that a vehicle dealer who is licensed to sell trailers or semitrailers over 15 feet in length will be subject to the same surety bond requirements as a used motor vehicle dealer. The amount of the surety bond will be based on trailer or semitrailer sales during the preceding license year. The bill sets the minimum surety bond for new dealers of trailers or semitrailers over 15 feet in length at \$15,000.

Fiscal Summary

State Effect: None. The bill would not substantively change State activities or operations.

Local Effect: None.

Small Business Effect: The Department of Transportation has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: Any person seeking a vehicle dealer's license from the Motor Vehicle Administration (MVA) must obtain a surety bond for their primary location and all additional locations if all the locations are licensed under the same dealer license number. The MVA bases the amount of the bond on the estimated volume of sales in the initial year in which the license is in effect; the bond for new dealers may not be less than

\$50,000 for a license to sell new motor vehicles or less than \$15,000 for a license to sell used vehicles. Dealers who sell trailers or semitrailers over 15 feet long are not subject to any surety bond requirements. A licensee who is licensed to only deal in trailers or semitrailers 15 feet long or smaller or boat trailers of any size must pay a \$5,000 surety bond.

Under Chapter 121 of 2001, the surety bond required for a person licensed to sell new vehicles based on sales 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 surety bond required for someone licensed to sell used vehicles based on sales 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.

Background: The MVA advises that Chapter 14 of 1999 increased the maximum bond amount required of vehicle dealers to reflect larger inventories; however, the legislation mistakenly applied the requirements only to “motor” vehicle dealers. Those who sold motorless vehicles were exempt, except dealers who sold trailers less than or equal to 15 feet in length. Before Chapter 14 was enacted, dealers of trailers over 15 feet long paid the same surety bond requirements as dealers of new vehicles. The MVA further advises that adding the surety bond requirements will protect the interest of the customers of trailer dealers.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - January 31, 2003
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