

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1503

(Delegate Bronrott, *et al.*)

Environmental Matters

Judicial Proceedings

Vehicle Laws - Manufacturers, Distributors, and Factory Branches - Dealer
Claims

This bill states that a manufacturer or distributor cannot deny a vehicle dealer's claim or reduce compensation to a dealer because the dealer did not comply with specific claim processing requirements, if the dealer presents reasonable evidence to substantiate the claim. The bill shortens the time in which a false or unsubstantiated claim for warranty work may be charged back by the manufacturer or distributor from one year to 180 days from the date the claim was paid or credit was issued. It further limits the time that the manufacturer, factory branch, or distributor may charge back false or unsubstantiated claims related to an incentive or reimbursement program from 24 months to nine months from the end of the incentive or reimbursement program.

Fiscal Summary

State Effect: None. The bill pertains exclusively to private sector activities.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A licensed manufacturer, distributor, or factory branch may not compensate its dealers for work performed under warranty that is less than the average amount charged by the dealer to retail customers for nonwarranty work of like kinds during the preceding 12 months. A claim filed by a dealer with a manufacturer or distributor must be approved or disapproved within 30 days of receipt or deemed

approved. The manufacturer or distributor may charge back the claim within one year from the date it was paid or credit issued if the claim is shown to be false or unsubstantiated. Either the manufacturer or distributor may conduct an audit of any claim or charge back for any claim that is proven to be fraudulent. Similar requirements apply to compensating dealers for claims for any incentive or reimbursement program sponsored by the manufacturer, factory branch, or distributor.

If a person suffers financial injury or other damage resulting from a violation of these compensation and claim requirements, the person may recover damages and reasonable attorney's fees. A dealer, designated dealer successor, manufacturer, distributor, or factory branch may also request an administrative hearing from the Motor Vehicle Administration (MVA) to resolve related disputes.

The MVA may revoke or suspend or refuse to renew the license of any person who has failed to comply with any written warranty agreement or failed to reasonably compensate any franchised dealer related to the dealer's preparation and delivery obligations or any outstanding express or implied new vehicle component parts warranty.

Background: Approximately 900 new and used vehicle dealers, including motorcycle dealers, are licensed in Maryland, excluding wholesale dealers. There are also 64 manufacturers, 19 distributors, and three factory branches in the State who would be covered by the bill.

Additional Information

Prior Introductions: None.

Cross File: SB 613 (Senator Forehand, *et al.*) – Judicial Proceedings.

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

Fiscal Note History: First Reader - March 16, 2004
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