

SUBJECT: Salvage and abandoned vehicle markets and licensing requirements

COMMITTEE: Licensing and Administrative Procedures — committee substitute recommended

VOTE: 8 ayes — Smith, Kuempel, Geren, Gooden, Guillen, Gutierrez, Price, Thompson

0 nays

1 absent — Miles

WITNESSES: For — None

Against — Bruce Ormand, Texas Automotive Recyclers Association

On — (*Registered, but did not testify:* Monica Blackwell and William Harbeson, Texas Department of Motor Vehicles)

BACKGROUND: Transportation Code, sec. 501.091, defines a “salvage vehicle dealer” as a person engaged in the business of acquiring, selling, repairing, rebuilding, reconstructing, or otherwise dealing in nonrepairable motor vehicles, salvage motor vehicles, or, if incidental to a salvage motor vehicle dealer’s primary business, used automotive parts regardless of whether the person holds a license to engage in that business. The term does not include an unlicensed person who:

- casually repairs, rebuilds, or reconstructs not more than five non-repairable motor vehicles or salvage motor vehicles in the same calendar year;
- buys not more than five nonrepairable motor vehicles or salvage motor vehicles in the same calendar year; or
- is a licensed used automotive parts recycler if the sale of repaired, rebuilt, or reconstructed motor vehicles or salvage motor vehicles is an incidental part of the used automotive parts recycler’s business.

Occupations Code, sec. 2309.254, makes it is an offense to deal in used parts without a required license or to employ an individual who does not

hold the appropriate required license. Such an offense is a class C misdemeanor (maximum fine of \$500).

DIGEST: CSHB 2281 would make several changes to the salvage vehicle market.

Definition of salvage vehicle dealers. The bill would amend the definition of a salvage vehicle dealer to include brokers who arranged transactions involving the sale of a salvage motor vehicle or nonrepairable motor vehicle or a fee, commission, or other valuable consideration. The bill also would remove from the definition licensed used automotive parts dealers whose nonrepairable motor vehicles and salvage motor vehicles was an incidental part of the used automotive parts recycler's business.

Penalty for violation of licensure rules. The bill would raise the penalty for dealing in used parts without a required license or employing an individual who did not hold the required license to a class A misdemeanor (up to one year in jail and/or a maximum fine of \$4,000) from a Class C misdemeanor.

Notice of title and other proof of transfer. The bill would require a metal recycler, within 60 days of purchasing a motor vehicle, to submit documents received in conjunction with the purchase of the motor vehicle to DMV, providing the document was a receipt for an ownership document issued by the DMV or the properly assigned:

- manufacturer's certificate of origin;
- regular title;
- nonrepairable vehicle title;
- salvage vehicle title; or
- comparable out-of-state ownership document.

The bill would exclude salvage vehicle dealers from applying for an application for authorization to dispose of certain motor vehicles.

The bill would require an applicant for the authorization to dispose of a motor vehicle to give required notice when filing the application. The bill would require the DMV to issue an applicant a nonrepairable vehicle title to dispose of a vehicle to a motor vehicle demolisher if the application gave notice of the proposed demolition to the last known registered owner and if the vehicle was not claimed. DMV would dispose of the motor vehicle without notice to a demolisher if the vehicle was titled in the

applicant's name.

Demolishers. The bill would require a demolisher who acquired a vehicle for dismantling or demolishing to obtain from the person delivering the vehicle:

- the vehicle's title;
- the auction sales receipt issued by or for a law enforcement agency;
- a transfer document for the vehicle;
- a nonrepairable vehicle title; or
- a receipt for an ownership document issued by the DMV to a salvage vehicle dealer or used automotive parts recycler.

Upon the DMV's demand, a demolisher would surrender for cancellation the title, receipt for an ownership document issued by the DMV, or nonrepairable vehicle title.

Automotive parts recyclers. The bill would require an automotive parts recycler that took possession of a motor vehicle, nonrepairable motor vehicle, or salvage motor vehicle in order to dismantle, scrap, or destroy it to submit certain documents to DMV within 30 days after acquiring the vehicle. CSHB 2281 would add a receipt of ownership issued by the DMV to the list of documents that a recycler had to submit to the DMV for cancellation.

Other provisions. The bill would make conforming changes throughout the Transportation and Occupations codes. It would also transfer some reporting requirements from the Texas Department of Transportation to the Texas Department of Motor Vehicles.

Effective date. The bill would take effect on September 1, 2013. The bill would apply only to offenses committed on or after that date.

SUPPORTERS
SAY:

CSHB 2281 would streamline the regulation of the salvage and abandoned vehicles market by appropriately expanding the definition of salvage vehicle dealers to include brokers, who are paid facilitators of sales and major participants in the market. The bill also would appropriately exclude those businesses where nonrepairable motor vehicles and salvage motor vehicles were an incidental part of their business because they already were regulated by the Texas Department of Licensing and Regulation.

The bill would improve the notice and title transfer requirements in the marketplace. DMV reports concerns about the efficiency and cost of administration of these documents, the “death certificates” for cars. By removing the requirement that DMV post notice in newspapers the state would save funds and speed up the issuance of the final notice and title transfer documents that must be issued before a motor vehicle is demolished. The bill’s reporting changes would promote transparency and the DMV’s ability to track titles and transfers. DMV would better be able to detect and recover stolen vehicles.

The bill would increase the penalty for automotive parts recyclers who fail to have the appropriate license when participating in the salvage and abandoned vehicle market to a class A misdemeanor from a class C misdemeanor. This would bring the professional sanction for automotive parts recyclers in line with the penalty for salvage vehicle dealers who violate licensure requirements.

**OPPONENTS
SAY:**

CSHB 2281 only would complicate the salvage market, not make it more orderly. By expanding the number of exceptions for licensure as a salvage vehicle dealer without expanding enforcement, the bill would make it easier to dodge regulation, making it more difficult for law-abiding licensed dealers to compete.

Additionally, supporters have not made a sufficient case for why brokers should be regulated as salvage vehicle dealers. Brokers never actually own the vehicle, so they should not be regulated as are buyers and sellers.

The bill inappropriately would increase a violation of the licensure rules to a class A misdemeanor from a class C misdemeanor, which is an unduly harsh penalty for a licensing violation.