

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1537**

**As Engrossed: 3/13/2013**

**Bill Subtitle: THE SALVAGE VEHICLE CONSUMER SAFETY AND DISCLOSURE ACT.**

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### **Basic Change :**

Representatives Rice, Wren, Dale, Ratliff, Hickerson, Eubanks, D. Douglas, Hammer, Miller

The bill adds a new subdivision under to the Arkansas Code related to salvage auctions and the sale of salvage vehicles. The bill as originally written restricted the sale of vehicles at a salvage auction to new and used motor vehicle dealers and persons with licensed wreckers. With the 3/13/13 Engrossment, an individual may purchase no more than two (2) vehicles a year at a salvage auction. The salvage auction is required to report sales of vehicles to a person other than a dealer, to the ASP and the ASP must notify a salvage auction in writing, that a person has met or exceeded the limit of two (2) purchases per year.

Currently the law requires an ASP VIN verification on out of state salvage titles, but not Arkansas salvage titles. The bill as engrossed on 3/13/13 adds a new provision to the bill to require an ASP VIN verification when an Arkansas title with a salvage or similar designation is presented, if purchased at a salvage auction.

The bill as originally written added a new subdivision to current law requiring that the language below must be printed on the title of a salvage vehicle. The 3/13/13 Engrossment deleted the portion of that language that is underlined below.

"SALVAGE VEHICLE - NOT FOR RESALE WITHOUT DISCLOSURE. WARNING: A SALVAGE VEHICLE MAY NOT BE SAFE FOR OPERATION. SOME STATES PROHIBIT REGISTRATION OF CERTAIN SALVAGE TITLE VEHICLES, REQUIRE INSPECTIONS BEFORE A VEHICLE MAY BE REGISTERED, OR REQUIRE THIS VEHICLE TO BE PERMANENTLY KNOWN AS A SALVAGE VEHICLE. INSURANCE COMPANIES MAY NOT INSURE SALVAGE VEHICLES OR MAY DO SO ONLY AT A DIMINISHED VALUE FOR PAYMENT OF A CLAIM."

### **Revenue Impact :**

None

### **Taxpayer Impact :**

Taxpayers who apply for titles on salvage vehicles would receive a title with the added language on such titles.

### **Resources Required :**

Minimal resources would be required.

### **Time Required :**

Adequate time is provided.

### **Procedural Changes :**

Program motor vehicle computer system to print the new language on salvage titles.

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### **Other Comments :**

None

### **Legal Analysis :**

HB1537 as amended under amendment S1 and engrossed March 13, 2013 amends the bill to:

1. Restrict sales made by auto auctions on and after January 1, 2014 to licensed dealers and licensed dealers and wreckers, with the exception that an individual may purchase no more than 2 salvage vehicles a year at a salvage auction;
2. Require auto auctions to report sales to individuals of salvage vehicles to the State Police and require the State Police to notify auto actions in writing if an individual has exceeded the limit of 2 salvage vehicles a year;
3. Require a VIN verification for titles for vehicles purchased at a salvage auction that bear the notation of: salvage, prior salvage, damaged, prior damaged, junked, non-repairable, or any other similar designation; and
4. Amend the provisions of 27-14-2301(6) and (7) to change the definition of water damaged.

The requirement of a VIN verification for titles of vehicles purchased from a salvage auction will be difficult to administer because there will not be a way to verify that the vehicle was purchased at a salvage auction.

In order to be water damaged for purposes of existing law a vehicle must have been submerged. Under this bill, saturation without submersion can result in a determination of water-damaged.

The bill requires disclosure of certain consequences of owning a salvage vehicle (such as a warning that it may not be safe for operation, may not be insurable, or may be excluded from registration in some states) on the front of the title if a certificate of title is issued for a salvage vehicle. Under current law, there may be instances in which a salvage title has not been issued for a salvage vehicle. For instance, insurers are required to notify the Department when a vehicle becomes a salvage vehicle, but the insurer does not take title to the vehicle. In that instance, the Department notes within its records that the vehicle is a salvage vehicle. If the owner does not obtain a salvage title as required by law, an individual or entity performing a salvage auction may not be aware the vehicle is a salvage vehicle, and the first record of the disclosure and warning on the title may take place when a buyer applies for title.