

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2205

Amendment Number: H1

Bill Subtitle: TO AMEND THE UNIFORM MOTOR VEHICLE ADMINISTRATION, CERTIFICATE OF TITLE, AND ANTITHEFT ACT, ARKANSAS CODE 27-14-101 ET SEQ.

Basic Change :

Representative Payton

Under current law, "Salvage vehicle" means a vehicle that has sustained damage equal or exceeding seventy percent (70%) of its average retail value as determined under criteria as established by rule of the Office of Motor Vehicle. Current law defines "Water damage" to mean caused by submerging a vehicle in water to at any level above the dashboard, regardless of dollar amount. The bill changes the definition of "Salvage vehicle" to mean a motor vehicle that has sustained damage totaling at least four thousand dollars (\$4,000) and at least seventy percent (70%) of its average retail value as listed in the current southwestern regional NADA Official Used Car Guide. The definition of "Water damage" is changed to mean a motor vehicle damaged by water that saturated or contaminated an electronic or electrical system necessary for the safe and reliable operation of a motor vehicle, or rose to the point that it covered the sill and entered the passenger compartment. Under current law motor vehicles that are seven (7) model years old or older prior to the calendar year of the occurrence are exempt for the salvage title law. The bill removes this age exemption. As a result of the change in definitions and the removal of the age exemption, more motor vehicles will become salvage vehicles, and more salvage and rebuilt titles will be issued.

The bill adds a new provision to current law to state that a motor vehicle that has damage of a least one hundred twenty percent (120%) of its average retail value as listed in the current southwestern regional NADA Official Used Car Guide is considered a parts-only salvage vehicle for tax purposes.

Under current law, if an owner of a vehicle that has become a salvage vehicle does not transfer ownership of the vehicle to an insurance company, the owner must obtain a salvage title for the vehicle within thirty (30) days of date the vehicle becomes a salvage vehicle. The bill adds a provision that the owner may also sign the title of a vehicle that becomes salvage to a licensed motor vehicle dealer, a licensed dealer in used parts and accessories, or an owner of a licensed wrecker, however, there is no provision requiring these entities to surrender the title of the vehicle that has become a salvage and obtain a salvage title for the vehicle.

Under current law, an insurer may delegate its responsibility to obtain a salvage title of a motor vehicle to which it has taken title; or if an insurer does not take title to a vehicle that has become salvage, it may delegate its responsibility to notify the department that a motor vehicle has become salvage. Such responsibility may be delegated to a service organization or to a buyer of the salvage vehicle. The bill adds a new provision to state that such responsibility may be delegated to a buyer, only if the buyer is a licensed motor vehicle dealer, a licensed dealer in used parts and accessories, or an owner of a licensed wrecker.

Revenue Impact :

None

Taxpayer Impact :

Currently if an owner has motor vehicle damaged in excess of the damage threshold, but is more than seven (7) years old, such vehicle is not subject to the salvage title law and a salvage title is not required. Under the bill, such vehicle would become a salvage vehicle and require a salvage title. Currently owners of motor vehicles that have become salvage vehicles, for which their insurer does not

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take title, must surrender their existing title and obtain a salvage title within thirty (30) days of the motor vehicle becoming salvage. Under the bill, such owners would have the option of surrendering their title and obtaining a salvage title, or assigning their title to a licensed motor vehicle dealer, a licensed dealer in used parts and accessories, or an owner of a licensed wrecker.

Resources Required :

No additional resources required.

Time Required :

Unknown. As a result of the change in definitions of salvage vehicle and water damage, and the removal of the age to which a vehicle is exempt from the salvage title law, more motor vehicles will become salvage vehicles, and more salvage and rebuilt titles will be issued. If the number of additional vehicles requiring a salvage and rebuilt title exceeds the amount of salvage title paper on hand and on order, additional time would be needed to acquire additional paper.

Procedural Changes :

Revise the Motor Vehicle Procedures Manual to reflect the changes and distribute to Revenue Offices.

Other Comments :

None

Legal Analysis :

Amendment H1 to HB2205, originally filed as a shell bill, amends the provisions of Ark. Code Ann. §§ 27-14-2301, 2302, and 2305 concerning the determination and disclosure of damage on a motor vehicle's certificate of title.

1. Amends the definition of salvage vehicle to be a vehicle that has sustained damage totaling at least \$4,000 and at least 70% of its average retail value as listed in the current southwestern regional NADA Official Used Car Guide. As written, a vehicle could sustain more than 70% damage but still not be a salvage vehicle if the damage is less than \$4,000.00 or vice versa. The bill also amends the definition of water-damaged to be a vehicle damaged by water that saturated or contaminated an electronic or electrical system necessary for the safe and reliable operation of the vehicle or rose to the point that it covered the sill and entered the passenger compartment. The bill does not identify who is responsible for making a determination of contamination that would prevent safe and reliable operation of the vehicle or how such a determination would be made;

2. The bill repeals the provisions of Ark. Code Ann. §27-14-2305(a) which limit application of the subchapter to only those vehicles 7 model years old or younger, but fails to remove the lettering for the one remaining subdivision. The bill is silent about what is to be done about vehicles that were previously excluded from the requirements of this subchapter of the code due to age, but which meet all of the criteria to be a salvage vehicle.

The bill does not contain an emergency clause.