

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2205

As Engrossed: 4/5/2013

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

The bill, as engrossed 4/5/13, changes the definitions of "Salvage vehicle" and "Water damage". Amendment 1 removed the age to which the salvage title law does not apply, resulting in the law applying to all motor vehicles regardless of age. 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.

Amendment 1 adds a new provision to current law to state that a motor vehicle that has damage of at 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 vehicle that becomes salvage does not transfer title to their insurer, such owner is required to obtain a salvage title. The bill as written with Amendment 1 added a new provision that such owner may sign the title of the salvage vehicle to a licensed motor vehicle dealer, a licensed dealer in used parts and accessories, or an owner of a licensed wrecker. However, there was no provision requiring these entities to obtain a salvage title. Amendment 2 adds a provision that requires these entities to which the title to a salvage vehicle has been assigned to obtain a salvage title within thirty (30) days. Amendment 2 also adds a provision that if the title of a salvage vehicle is assigned to a motor vehicle dealer, parts and accessories dealer or wrecker owner, these entities may delegate their responsibility to obtain a salvage title, to another motor vehicle dealer, parts and accessories dealer, or wrecker owner.

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. Amendment 1 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 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.

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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.

Legal Analysis :

HB2205, amended under H2 on April 4, 2013 and engrossed April 5, 2013, amends the provisions of state law concerning the determination and disclosure of damage on a motor vehicle's certificate of title as follows:

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. Amends various definitions, to provide that a motor vehicle that sustains damage of at least 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. This provision should be included in subsection 2302 pertaining to issuance of damage certificates or the bill should also amend subsection 2302(h)(3) to include this as an instance in which DFA may issue a parts only title. Additionally, the bill does not concern the administration of any taxes and it is unclear why the bill seeks issuance of a parts-only title for tax purposes;
3. Amends state law to require all owners of salvage vehicles, including insurers, for which salvage titles have not been issued to either assign the title to a licensed dealer or wrecker (who would then be required to surrender the title and obtain a salvage title 30 days after assignment) or retain the vehicle if it surrenders the existing title and obtains a salvage title. This could be interpreted to mean that anyone other than licensed in-state dealers and wreckers are excluded from purchasing salvage vehicles. It also amends state law to permit insurers to delegate their responsibility to surrender the title to a salvage vehicle or notify DFA of a vehicle being a salvage vehicle, to a licensed Arkansas dealer or wrecker;
4. It repeals state law providing that an owner for purposes of the issuance of parts-only titles may be an insurer that owns the salvage vehicle, but fails to then renumber subdivision (h). It then adds a new subdivision, (i), that provides that an "owner" under section 2302 includes an insurer that owns a

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salvage vehicle; and

5. 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.