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HOUSE REPUBLICAN STAFF ANALYSIS

Bill: Senate File 418
Committee: Commerce
Floor Manager: Representative Jeff Smith
Date: July 14, 2011
Staff: Brad Trow (1-3471)

Auto Dealer Disclosure of Damages to New Vehicles

Senate File 418 provides a process under which auto dealers can make repairs to new vehicles prior to being put up for sale and a process for disclosing the damage to a buyer.

Summary of Action

Senate Action – The Senate **ADOPTED** Senate File 418 on a vote of 50-0 on March 9, 2011.

Committee Action – The Commerce Committee **PASSED** Senate File 418 on a vote of 21-0 on March 17, 2011.

House Action – The House **ADOPTED** Senate File 418 on a vote of 98-0 on April 14, 2011.

Final Action – The Governor **SIGNED** Senate File 418 on April 27, 2011.

Section by Section Analysis

Section 1 – The section creates Iowa Code section 321.69A – Disclosure of Repairs to New Vehicles. Under the new section, a licensed new motor vehicle dealer would not be required to disclose repairs, adjustment, or replacement of parts on a new vehicle if all of the following conditions are met:

1. The repairs, adjustment, or replacement are made to bring the vehicle into compliance with factory specifications;
2. The actual cost of the repairs, parts, and labor on the new car does not exceed four percent of the adjusted cost of the vehicle to the dealer;
3. The dealer places a notice in a conspicuous place that any repairs, adjustment, or replacement to a new car will be disclosed upon request; and
4. The dealer actually does disclose the repairs, adjustment, or replacement when requested by a customer.

If the repairs, adjustment, or replacement of parts on a new car exceeds four percent of the adjusted cost of the vehicle to the dealer, then the dealer is required to provide a purchaser or lessee of a car with a written notice that parts on the car have been repaired, adjusted, or replaced. The buyer or lessee of the car is required to sign the notice and the dealer must retain that notice for five years.

The section defines “dealer’s adjusted cost” and provides that a violation of these requirements is an unlawful practice under Iowa Code section 714.16 and thus subjecting a violator to a civil penalty of up to \$40,000 per violation and an additional penalty of up to \$5000 per day for intentional violating an injunction. The section also makes violating the provisions a prohibited practice under Iowa Code section 714H.5, which would provide for the recovery of specified damages.