

SESSION OF 2004

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR
SENATE BILL NO. 500**

As Amended by House Committee on Transportation

Brief*

The bill would amend existing law to create a standard for designation of damaged late model vehicles as salvage vehicles and requirements for vehicle owners to obtain salvage titles. The bill would create a penalty for failure to obtain a salvage title. The bill also would create a procedure by which a rebuilt salvage vehicle would be permanently identified as such. Finally, the bill would place requirements on salvage vehicle dealers who purchase vehicles at auctions or from salvage vehicle pools.

Salvage vehicles. The bill would amend the definition of salvage vehicle to include a "late model vehicle" as vehicle less than 7 years old that has sustained damage to the extent that the total cost of repair would be 75 percent or more than the fair market value of the vehicle prior to the damage. Such damage would not include any merely cosmetic damage due to windstorm or hail.

The bill would create a definition of, "fair market value" as the retail value of a motor vehicle:

- ! set forth in a current edition of any nationally recognized compilation, including an automated database of retail value; or
- ! determined pursuant to a market survey of comparable vehicles with regard to condition and equipment.

"Cost of repair" would be defined as the estimated or actual retail cost of parts and labor needed to repair the vehicle to its condition immediately before it was wrecked or damaged.

Salvage title. The bill would provide that owners of salvage

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

vehicles would be required to apply for a salvage title prior to any transfer of ownership of the vehicle or within 30 days of determination that a vehicle is a salvage vehicle. Anyone who acquires a salvage vehicle that does not have a salvage title would be required to apply for a salvage title for that vehicle within 30 days of acquiring the vehicle.

Insurance companies that acquire a vehicle damaged to the extent that it is designated a salvage vehicle, would be required to apply for a salvage title within 30 days of obtaining the title. Any insurance company that makes a damage settlement for a salvage vehicle, but which does not assume ownership of the vehicle, would be required to notify the owner of the owner's obligation to apply for a salvage title. The vehicle's owner in those instances would be required to apply for a salvage title within 30 days of receiving notice from the insurance company and the insurance company would be required to notify the Division of Vehicles of the fact that the vehicle meets the definition of a salvage vehicle.

Any lessee of a vehicle that is damaged enough to be designated a salvage vehicle would be required to notify the lessor of the status of the vehicle within 30 days of the determination that it is a salvage vehicle. The lessor in those instances, would be required to apply for a salvage title within 30 days of receiving such notification from the lessee.

A \$10 fee would be charged for salvage title applications. A late fee of \$2 would be applied if the application for salvage title is not made within statutory time limits. Failure to apply for a salvage title as required by the act would be a class C nonperson misdemeanor. That same penalty would accrue to failure to apply for a rebuilt salvage title as required by existing law.

Identification of rebuilt salvage vehicles. Owners of rebuilt salvage vehicles, defined in existing law, would be required to have attached to the vehicle's left door frame by the Kansas Highway Patrol, a permanent notice that the vehicle is a rebuilt salvage vehicle. The required notice would have to be on the vehicle prior to transfer to the next owner after the vehicle has been rebuilt. The bill would prohibit removal, obliteration, or alteration of any such notice. Those acts, or failure to have the notice placed on the vehicle, would be a class A nonperson misdemeanor.

Salvage vehicle buyer's identification card. The bill would

prohibit sales of nonrepairable vehicles or salvage vehicles at auctions or salvage vehicle s pools to anyone who does not possess a Kansas buyer's identification card as required by the bill. Licensed salvage vehicle dealers who wish to purchase nonrepairable or salvage vehicles at an auction or salvage vehicle pool would be required to have a non-transferable buyer's identification card. Licensed dealers could apply for buyer's identification cards for up to two employees designated to purchase such vehicles on behalf of the licensee. An annual \$10 fee would be charged for each identification card. Buyer's identification cards could be issued to licensed salvage vehicle dealers from any other state that imposes licensure qualifications and requirements similar to those required by Kansas law. A buyer's identification card could be denied, suspended, or revoked or renewal of the card could be refused by the Director for any of the same grounds provided in existing law for action against a vehicle dealers license.

Background

Provisions of the substitute bill were proposed by Bill Sneed, Legislative Counsel for the State Farm Insurance Companies, and Don L. McNeely, Kansas Automobile Dealers Association (KADA).

At the House Committee hearing on the bill, representatives of Enterprise Rent-A-Car, the KADA, the Kansas Automotive Recyclers Association, and the Director of Vehicles presented testimony in support of the substitute bill. The Recyclers Association suggested amendments to the bill that were supported by the KADA. The Director of Vehicles suggested amendments to the bill that were supported by the Dealers Association. Opponents of the bill included representatives of State Farm Insurance and Farmers Insurance. Both opponents suggested amendments to the bill.

The House Committee on Transportation amended the bill to include provisions that were included in the bill as introduced. Those provisions include:

- ! establishing time limits and requirements for obtaining a salvage title in a variety of circumstances; and
- ! creating penalties for failure to obtain a salvage title or rebuilt salvage title as required by the bill.

Other amendments adopted by the House Committee include:

- ! reducing the damage threshold for determining that a late model vehicle is a salvage vehicle from 80 to 75 percent of fair market value;
- ! specifying that the retail cost of parts and labor in the definition of “cost of repairs” would be based upon collision estimating manuals or electronic computer estimating systems customarily used in the auto repair industry;
- ! excluding exterior, cosmetic damage that results from windstorm or hail from the definition of total cost of repairs;
- ! requiring a permanent notice on rebuilt salvage vehicles identifying them as such; and
- ! creating a requirement that persons purchasing nonrepairable or salvage vehicles at an auction or salvage vehicle pool have a buyer's identification card in order to buy those vehicles. These provisions were included in HB 2860, as introduced. That bill had been heard, but had not been acted upon, in the House Transportation Committee at the time the Committee took action on SB 500.

The Division of the Budget's fiscal note for the introduced version of SB 500 stated that enactment of that version of the bill would have resulted in collection of \$16,000 additional title fees. The fiscal note also stated that the Department of Revenue had not completed its analysis of potential costs that might be created by enactment. The Division of the Budget's fiscal note on the introduced version of HB 2860 stated that enactment of that bill would result in additional revenue of \$6,340 from the annual \$10 fee for each buyer's identification card. A fiscal note reflecting anticipated costs associated with enactment of either the substitute bill as introduced or as amended by the House Committee was not available at the time this supplemental note was prepared.