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BILL ANALYSIS

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Senate Bill 867 (Substitute S-2 as passed by the Senate)
Sponsor: Senator John Cherry
Committee: Regulatory Affairs

Date Completed: 11-12-24

CONTENT

The bill would amend the Motor Vehicle Service and Repair Act to allow the owner of a motor vehicle repair facility to operate an auxiliary facility under the same registration as the primary facility if the auxiliary facility met certain requirements. It also would modify the cost of motor vehicle repair facility registration fees and create the Mechanic Certification Examination Fund, which would have to be spent to update the content of and administer the mechanic certification examination.

The bill would take effect July 1, 2025.

Auxiliary Facilities

Among other things, the Act regulates the practice of servicing and repairing motor vehicles, provides for mechanic training and certification, and establishes the process for the registration of motor vehicle repair facilities. Currently, a person who owns multiple motor vehicle repair facilities must register each independently (using one form) and pay applicable fees each year.

The Act requires the owner of a motor vehicle repair facility to register the facility by providing certain information to the Secretary of State (SOS). The bill would require that information to include, for applicants that apply on or after July 1, 2025, the location of the applicant's established place of business in the State, along with written verification from the appropriate municipal governing body or zoning authority that stated that the applicant's established place of business met all applicable municipal and zoning requirements. The bill also would require this information to include each person that owned 25% or more of the facility, and, if requested by the SOS, proof of the facility's gross revenue, if this amount were less than \$300,000.

"Established place of business" would mean the premises occupied continuously or at regular periods by a facility where that facility maintains records.

Under the bill, if the owner of a motor vehicle repair facility submitted an application for an auxiliary facility, along with written verification from the appropriate municipal governing body or zoning authority that stated that the auxiliary facility met all applicable municipal and zoning requirements, the owner could be approved for a single auxiliary facility. The auxiliary facility would have to meet all the following requirements:

- Be located within a one-mile radius of the primary motor vehicle repair facility.
- Serve as an extension of the primary facility.
- Not operate independently from the primary facility.
- Mirror the registered facility's hours of operation, types of vehicles serviced, and repairs performed.

- Rely on the established place of business of the motor vehicle repair facility for all in-person customer interactions, including customer vehicle drop off and pick up, payment for services rendered, invoice generation, and other documents shared with a customer.
- Not perform any repairs that were not approved, directed, or initiated by and through the motor vehicle repair facility.

Upon receiving an application for an auxiliary facility, the SOS would have to review the compliance history of the registered motor vehicle repair facility and could deny the application or revoke the approval of the application if the registered motor vehicle repair facility had any of the following:

- Two or more unresolved violations involving customer parts retention.
- Two or more unresolved violations for failing to maintain records.
- An unresolved violation for hindering or obstructing a general compliance inspection or a consumer complaint inspection.

The owner of an auxiliary facility would *not* need to register that facility separately or pay a registration fee. More specifically, an auxiliary facility would not need any of the following:

- A registration certificate with a separate registration number from the facility with which the auxiliary facility shared a registration.
- An exterior sign that identified the business.
- Any customer instrument, form, contract, written statement, or other document that was distinct from the documents used by the primary facility; this would include the written statement required to be given to a customer upon the return of a repaired vehicle and documents required to include the facility's registration number.
- A consumer information sign.
- A notice of parts return sign.

Currently, a motor vehicle repair facility must conspicuously display a current and valid certificate of repair facility registration issued by the SOS. Additionally, the Act requires a certified specialty or master mechanic to conspicuously display a current or valid certificate issued by the SOS in the mechanic's place of work. The bill would exempt an auxiliary facility or a certified specialty or master mechanic working in an auxiliary facility from these requirements.

The bill would require the owner of a motor vehicle repair facility to disclose on its registration form any auxiliary facilities that would share the same registration and registration number as the facility that the owner was registering, if applicable.

It also would require the owner of a motor vehicle repair facility to maintain reasonable business records for an auxiliary facility, if applicable, and extend record retention periods to include auxiliary facilities. Business records for an auxiliary facility would have to be stored at the facility with which the auxiliary facility shared a registration. Lastly, the bill also would allow the SOS and other law enforcement officials to make periodic unannounced inspections of the premises, records, and inventories of auxiliary facilities and would require the owner of a facility to ensure that auxiliary facilities were open to inspection by the SOS and other law enforcement officials during reasonable business hours.

Registration Fee

Under the Act, the nonrefundable registration fee for a facility is determined by a graduated scale based on gross annual revenue of the facility. The lowest fee is \$25 for a facility with less than \$5,000 in revenue. The highest registration fee is \$500 for a facility with \$340,000

or more in revenue. The Act prescribes 20 fees between the lowest and highest, depending on a facility's revenue. The bill would delete many of the levels of revenue and their associated fees and instead prescribe the registration fees shown in the table below.

Gross Annual Revenue	Fee
Under \$50,000	\$100
\$50,001 to \$100,000	\$200
\$100,001 to \$200,000	\$300
\$200,001 to \$300,000	\$400
Over \$300,000	\$500

The Act requires the SOS to charge a fee of 1-1/2 times the normal registration fee if the renewal application was received by the SOS after the expiration date. The bill would require the fee to be 1-1/2 times the normal registration fee for each year the license was expired.

Mechanic Certification Examination Fund

Under the Act, there is a \$6 fee for each certification examination administered by the SOS. The bill would increase this fee to \$18, and \$12 of each \$18 fee would have to be deposited into the Mechanic Certification Examination Fund, which the bill would create in the State Treasury.

The State Treasurer would have to deposit money and other assets received from any other source into the Fund. The State Treasurer would have to direct the investment of money in the Fund and credit interest and earnings from the investments to the Fund. The SOS would be the administrator of the Fund for audits and would have to spend money from the Fund on appropriation only to develop and update the mechanic certification examination's content and to administer the examination.

Additional Provisions

The bill would allow the owner of a motor vehicle repair facility with a gross revenue that exceeded \$300,000 to renew the owner's facility registration for between one and four years if the owner submitted an application for renewal to the administrator accompanied by a registration fee equal to the applicable one-year registration fee multiplied by the number of years the registration was renewed.

The Act requires a motor vehicle repair facility to notify the administrator in writing of certain changes, such as a name change. Currently, if a corporation owns a motor vehicle repair facility, it must notify the administrator if 10% or more of the corporation's stock is sold or transferred within 30 days of the sale or transfer. The bill would increase this threshold to 25%.

BRIEF RATIONALE

According to testimony, the auto dealership business has experienced changes due to technological advancements in the car manufacturing industry. Many dealerships now require more floor space for computer equipment and EV batteries; however, the Act currently requires a dealership to obtain a second license for even nearby auxiliary spaces. Some have argued that this is an unnecessary burden for a dealership due to bookkeeping and regulatory requirements. It has been suggested that dealerships be allowed to open auxiliary facilities under the same license.

MCL 257.1302 et al.

Legislative Analyst: Nathan Leaman

FISCAL IMPACT

The bill would create the Fund. The current fee for a certification exam is \$6 and is deposited into the State's General Fund (GF). The bill would increase the fee to \$18, with \$12 of each fee being deposited into the proposed Mechanic Certification Examination Fund. Based on the most recent figure of 41,600 exams taken in Fiscal Year 2022-23, an estimated \$500,000 annually would be deposited into the Fund, assuming that same rate of exams given in a year. The amount deposited in the GF would remain the same as \$6 would continue to be deposited into the GF. The Department of State (DOS) could use the funds to develop and update the mechanic certification examination's content. The DOS estimates the breakdown of the \$12 portion of the fee to be allocated as follows:

- \$5 to develop and update the exam.
- \$5 for the administration of the exam.
- \$2 for IT support and related contracts.

Finally, the bill would modify the current registration fee schedule by reducing the number of registration categories from 20 to five. The revised fee schedule would raise an additional estimated \$160,000 annually for the State's GF, which raises an estimated \$2.9 million annually based on the current fee schedule.

Fiscal Analyst: Joe Carrasco, Jr.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.