

TITLE 14. REGULATION OF MOTOR VEHICLES  
AND TRANSPORTATION  
SUBTITLE A. REGULATIONS RELATED TO MOTOR VEHICLES  
CHAPTER 2301. SALE OR LEASE OF MOTOR VEHICLES

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# **OCCUPATIONS CODE**

## **TITLE 14. CHAPTER 2301. SALE OR LEASE OF MOTOR VEHICLES**



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**TITLE 14. REGULATION OF MOTOR VEHICLES AND  
TRANSPORTATION****SUBTITLE A. REGULATIONS RELATED TO MOTOR VEHICLES****CHAPTER 2301. SALE OR LEASE OF MOTOR VEHICLES****SUBCHAPTER A. GENERAL PROVISIONS****Construction; Purpose**

**Sec. 2301.001.** The distribution and sale of motor vehicles in this state vitally affects the general economy of the state and the public interest and welfare of its citizens. This chapter shall be liberally construed to accomplish its purposes, including the exercise of the state's police power to ensure a sound system of distributing and selling motor vehicles through:

(1) licensing and regulating manufacturers, distributors, converters, and dealers of motor vehicles; and

(2) enforcing this chapter as to other persons to provide for compliance with manufacturer's warranties and to prevent fraud, unfair practices, discrimination, impositions, or other abuse of the people of this state.

**Definitions**

**Sec. 2301.002.** In this chapter:

(1) "Ambulance" means a vehicle that is used exclusively to transport or to provide emergency medical care to an injured or ill person and that includes:

(A) a driver's compartment;

(B) a compartment to accommodate an emergency medical care technician or paramedic and two injured or ill persons in a position that permits one of the injured or ill persons to be given intensive life-support during transit;

(C) equipment and supplies for emergency care of an injured or ill person at the location of the person or at the scene of an injury-producing incident as well as in transit;

(D) two-way radio communication capability; and

(E) equipment for light rescue or extrication procedures.

(2) "Board" has the meaning assigned by Section 2301.005.

(3) "Broker" means a person who, for a fee, commission, or other valuable consideration, arranges or offers to arrange a transaction involving the sale of a new motor vehicle, other than a person who is:

(A) a franchised dealer or a bona fide employee of a franchised dealer acting for the franchised dealer;

(B) a representative or a bona fide employee of a representative acting for the representative;

(C) a distributor or a bona fide employee of a distributor acting for the distributor; or

(D) the owner of the vehicle at any point in the transaction.

(4) “Chassis manufacturer” means a person who manufactures and produces the frame on which the body of a motor vehicle is mounted.

(5) “Conversion” means a motor vehicle, other than a motor home, ambulance, or fire-fighting vehicle, that:

(A) has been substantially modified by a person other than the manufacturer or distributor of the chassis of the motor vehicle; and

(B) has not been the subject of a retail sale.

(6) “Converter” means a person who before the retail sale of a motor vehicle:

(A) assembles, installs, or affixes a body, cab, or special equipment to a chassis; or

(B) substantially adds, subtracts from, or modifies a previously assembled or manufactured motor vehicle other than a motor home, ambulance, or fire-fighting vehicle.

(7) “Dealer” means a person who holds a general distinguishing number issued by the board under Chapter 503, Transportation Code.

(8) “Dealership” means the physical premises and business facilities on which a franchised dealer operates the dealer’s business, including the sale and repair of motor vehicles. The term includes premises or facilities at which a person engages only in the repair of a motor vehicle if the repair is performed under a franchise and a motor vehicle manufacturer’s warranty.

(9) “Department” means the Texas Department of Transportation.

(10) “Director” means the director of the division.

(11) “Distributor” means a person, other than a manufacturer, who distributes or sells new motor vehicles to a franchised dealer.

(12) “Division” means the Motor Vehicle Division of the department.

(13) “Executive director” means the executive director of the department.

(14) “Fire-fighting vehicle” means a motor vehicle the only purposes of which are to transport firefighters to the scene of a fire and to provide equipment to fight the fire, and that is built on a truck chassis with a gross carrying capacity of at least 10,000 pounds, to which the following have been permanently affixed or mounted:

(A) a water tank with a combined capacity of at least 500 gallons; and

(B) a centrifugal water pump with a capacity of at least 750 gallons per minute at 150 pounds per square inch net pump pressure.

(15) “Franchise” means one or more contracts between a franchised dealer as franchisee and a manufacturer or a distributor as franchisor, including a written communication from a franchisor to a franchisee in which a duty is imposed on the franchisee, under which:

(A) the franchisee is granted the right to sell and service new motor vehicles manufactured or distributed by the franchisor or only to service motor vehicles under the contract and a manufacturer’s warranty;

(B) the franchisee is a component of the franchisor’s distribution system as an independent business;

(C) the franchisee is substantially associated with the franchisor’s trademark, tradename, and commercial symbol;

(D) the franchisee’s business substantially relies on the franchisor for a continued supply of motor vehicles, parts, and accessories; or

(E) any right, duty, or obligation granted or imposed by this chapter is affected.

(16) “Franchised dealer” means a person who:

(A) holds a franchised motor vehicle dealer’s license issued by the board under Chapter 503, Transportation Code; and

(B) is engaged in the business of buying, selling, or exchanging new motor vehicles and servicing or repairing motor vehicles under a manufacturer’s warranty at an established and permanent place of business under a franchise in effect with a manufacturer or distributor.

(17) “General distinguishing number” means a dealer license issued by the board under Chapter 503, Transportation Code.

(17-a) “Independent mobility motor vehicle dealer” means a nonfranchised dealer who:

(A) holds a general distinguishing number issued by the board under Chapter 503, Transportation Code;

(B) holds a converter’s license issued under this chapter;

(C) is engaged in the business of buying, selling, or exchanging mobility motor vehicles and servicing or repairing the devices installed on mobility motor vehicles at an established and permanent place of business in this state; and

(D) is certified by the manufacturer of each mobility device that the dealer installs, if the manufacturer offers that certification.

(18) “License holder” means a person who holds a license or general distinguishing number issued by the board under this chapter or Chapter 503, Transportation Code.

(19) “Manufacturer” means a person who manufactures or assembles new motor vehicles.

(20) “Manufacturer’s statement of origin” means a certificate on a form prescribed by the department showing the original transfer of a new motor vehicle from the manufacturer to the original purchaser.

(20-a) “Mobility motor vehicle” means a motor vehicle that is designed and equipped to transport a person with a disability and that:

(A) has a chassis that contains:

(i) a permanently lowered floor or lowered frame; or

(ii) a permanently raised roof and raised door;

(B) contains at least one of the following:

(i) an electronic or mechanical wheelchair, scooter, or platform lift that enables a person to enter or exit the vehicle while occupying a wheelchair or scooter;

(ii) an electronic or mechanical wheelchair ramp; or

(iii) a system to secure a wheelchair or scooter to allow for a person to be safely transported while occupying the wheelchair or scooter; and

(C) is installed as an integral part or permanent attachment to the motor vehicle's chassis.

(21) "Motor home" means a motor vehicle that is designed to provide temporary living quarters and that:

(A) is built on a motor vehicle chassis as an integral part of or a permanent attachment to the chassis; and

(B) contains at least four of the following independent life support systems that are permanently installed and designed to be removed only for repair or replacement and that meet the standards of the American National Standards Institute, Standards for Recreational Vehicles:

(i) a cooking facility with an on-board fuel source;

(ii) a gas or electric refrigerator;

(iii) a toilet with exterior evacuation;

(iv) a heating or air conditioning system with an on-board power or fuel source separate from the vehicle engine;

(v) a potable water supply system that includes at least a sink, a faucet, and a water tank with an exterior service supply connection; or

(vi) a 110-125 volt electric power supply.

(22) "Motor home manufacturer" means a person other than the manufacturer of a motor vehicle chassis who, before the retail sale of the motor vehicle, performs modifications on the chassis that result in the finished product being classified as a motor home.

(23) "Motor vehicle" means:

(A) a fully self-propelled vehicle having two or more wheels that has as its primary purpose the transport of a person or persons, or property, on a public highway;

(B) a fully self-propelled vehicle having two or more wheels that:

(i) has as its primary purpose the transport of a person or persons or property;

(ii) is not manufactured for use on public streets, roads, or highways; and

(iii) has been issued a certificate of title;

(C) an engine, transmission, or rear axle, regardless of whether attached to a vehicle chassis, manufactured for installation in a vehicle that has:

(i) the transport of a person or persons, or property, on a public highway as its primary purpose; and

(ii) a gross vehicle weight rating of more than 16,000 pounds;

or

(D) a towable recreational vehicle.

(23-a) “New mobility motor vehicle” means a mobility motor vehicle that has not been the subject of a retail sale, regardless of the mobility motor vehicle’s mileage.

(24) “New motor vehicle” means a motor vehicle that has not been the subject of a retail sale regardless of the mileage of the vehicle.

(25) “Nonfranchised dealer” means a person who holds an independent motor vehicle dealer’s general distinguishing number, an independent mobility motor vehicle dealer’s general distinguishing number, or a wholesale motor vehicle dealer’s general distinguishing number issued by the board under Chapter 503, Transportation Code.

(26) “Party” means a person or agency named or admitted as a party and whose legal rights, duties, or privileges are to be determined by the board after an opportunity for adjudicative hearing.

(27) “Person” means a natural person, partnership, corporation, association, trust, estate, or any other legal entity.

(28) “Relocate” means to transfer an existing dealership operation to facilities at a different location, including a transfer that results in a consolidation or dualing of an existing dealer’s operation.

(29) “Representative” means a person who:

(A) is or acts as an agent or employee for a manufacturer, distributor, or converter; and

(B) performs any duty in this state relating to promoting the distribution or sale of new motor vehicles or contacts dealers in this state on behalf of a manufacturer, distributor, or converter.

(30) “Retail sale” means any sale of a motor vehicle other than:

(A) a sale in which the purchaser acquires a vehicle for resale; or

(B) a sale of a vehicle that is operated in accordance with Section 503.061, Transportation Code.

(31) “Rule”:

(A) means a statement by the board of general applicability that:

(i) implements, interprets, or prescribes law or policy; or

(ii) describes the procedure or practice requirements of the

board;

(B) includes the amendment or repeal of a prior rule; and

(C) does not include a statement regarding only the internal management or organization of the board and not affecting the rights of a person not connected with the board.

(32) “Towable recreational vehicle” means a nonmotorized vehicle that:

(A) was originally designed and manufactured primarily to provide temporary human habitation in conjunction with recreational, camping, or seasonal use;

(B) is titled and registered with the department as a travel trailer through a county tax assessor-collector;

(C) is permanently built on a single chassis;

(D) contains at least one life support system; and

(E) is designed to be towable by a motor vehicle.

(33) “Transportation commission” means the Texas Transportation Commission of the department.

(34) “Vehicle lease” means a transfer of the right to possess and use a motor vehicle for a term of more than 180 days in return for consideration.

(35) “Vehicle lease facilitator” means a person, other than a franchised dealer, a vehicle lessor, or a bona fide employee of a franchised dealer or vehicle lessor, who:

(A) holds the person out to any other person as a “motor vehicle leasing company” or “motor vehicle leasing agent,” or uses a similar title, to solicit or procure another person to enter into an agreement to become the lessee of a motor vehicle that is not, and will not be, titled in the name of or registered to the facilitator;

(B) otherwise solicits another person to enter into an agreement to become a lessee of a motor vehicle that is not, and will not be, titled in the name of or registered to the facilitator; or

(C) is otherwise engaged in the business of securing lessees or prospective lessees of a motor vehicle that is not, and will not be, titled in the name of or registered to the facilitator.

(36) “Vehicle lessor” means a person who, under a lease, transfers to another person the right to possession and use of a motor vehicle titled in the name of the lessor.

(37) “Warranty work” means parts, labor, and any other expenses incurred by a franchised dealer in complying with the terms of a manufacturer’s or distributor’s warranty.

### **Effect on Agreements**

**Sec. 2301.003.** (a) The terms and conditions of a franchise are subject to this chapter.

(b) An agreement to waive the terms of this chapter is void and unenforceable. A term or condition of a franchise inconsistent with this chapter is unenforceable.

### **Chapter Exclusive**

**Sec. 2301.004.** Unless otherwise specifically provided by law not in conflict with this chapter, all aspects of the distribution and sale of motor vehicles are governed exclusively by this chapter.

**Title Changes**

**Sec. 2301.005.** (a) A reference in law, including a rule, to the Texas Motor Vehicle Commission or to the board means the director, except that a reference to the board means the commission if it is related to the adoption of rules.

(b) A reference in law, including a rule, to the executive director of the Texas Motor Vehicle Commission means the director.

(c) A reference in law, including a rule, to the Texas Motor Vehicle Commission Code means this chapter.

(d) A reference in law other than this chapter to a dealer licensed by the Texas Motor Vehicle Commission or a dealer licensed by the Motor Vehicle Board of the Texas Department of Transportation means a franchised dealer.

(e) A reference in this chapter to a rule or to a board rule means a rule adopted by the commission, except that all board rules that were in effect on June 1, 2005, remain in effect until amended or repealed by the commission.

**Brokers Prohibited**

**Sec. 2301.006.** A person may not act as, offer to act as, or claim to be a broker.

**Towing Vehicle by License Holder**

**Sec. 2301.007.** Notwithstanding any other law, a person licensed under this chapter does not commit an offense by employing a person to tow a disabled vehicle to or from the premises for which the person is licensed regardless of whether the person employed to tow the vehicle:

(1) holds a certificate issued by a state agency authorizing the person to engage in the business of towing vehicles for hire; or

(2) commits an offense by towing the vehicle.

[Sections 2301.008-2301.050 reserved for expansion]

**SUBCHAPTER B. *(Repealed June 14, 2005)*****SUBCHAPTER C. DIRECTOR AND OTHER DIVISION PERSONNEL****Director**

**Sec. 2301.101.** (a) The director is the division's chief executive and administrative officer and shall administer and enforce this chapter.

(b) The director must be licensed to practice law in this state.

(c) The director serves at the will of the executive director.

**Personnel**

**Sec. 2301.103.** A division employee is subject to dismissal if the employee has an interest in or is related within the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code, to a person who has an interest in a business that manufactures, distributes, converts, sells, or leases motor vehicles.

**Career Ladder Program; Performance Evaluations**

**Sec. 2301.105.** (a) The director or the director's designee shall develop an intra-agency career ladder program that addresses opportunities for mobility and advancement of employees in the division. The program must require intra-agency postings of all positions concurrently with any public posting.

(b) The director or the director's designee shall develop a system of annual performance evaluations based on documented employee performance. All merit pay for employees of the division must be based on the system established under this subsection.

**Equal Opportunity Policy; Report**

**Sec. 2301.106.** (a) The director or the director's designee shall prepare and maintain a written policy statement to ensure implementation of an equal employment opportunity program under which all personnel transactions are made without regard to race, color, disability, sex, religion, age, or national origin. The policy statement must include:

(1) personnel policies, including policies relating to recruitment, evaluation, selection, appointment, training, and promotion of personnel that comply with Chapter 21, Labor Code;

(2) a comprehensive analysis of the division workforce that meets federal and state laws, rules, and regulations and instructions adopted directly under those laws, rules, or regulations;

(3) procedures by which a determination can be made of significant underuse in the division workforce of all persons for whom federal or state laws, rules, and regulations and instructions adopted directly under those laws, rules, or regulations encourage a more equitable balance; and

(4) reasonable methods to appropriately address those areas of significant underuse.

(b) A policy statement prepared under Subsection (a) must be:

(1) prepared to cover an annual period;

(2) updated at least annually;

(3) reviewed by the Commission on Human Rights for compliance with Subsection (a)(1); and

(4) filed with the governor.

(c) The governor shall deliver a biennial report to the legislature based on the information received under Subsection (b). The report may be made separately or as a part of other biennial reports made to the legislature.

[Sections 2301.107-2301.150 reserved for expansion]

**SUBCHAPTER D. BOARD POWERS AND DUTIES**

**General Jurisdiction of Board**

**Sec. 2301.151.** (a) The board has the exclusive original jurisdiction to regulate those aspects of the distribution, sale, or lease of motor vehicles that are governed by this chapter, including the original jurisdiction to determine its own jurisdiction.

(b) The board may take any action that is specifically designated or implied under this chapter or that is necessary or convenient to the exercise of the power and jurisdiction granted under Subsection (a).

**General Duties of Board**

**Sec. 2301.152.** (a) In accordance with this chapter, the board shall:

- (1) administer this chapter;
- (2) establish the qualifications of license holders;
- (3) ensure that the distribution, sale, and lease of motor vehicles is conducted as required by this chapter and board rules;
- (4) provide for compliance with warranties; and
- (5) prevent fraud, unfair practices, discrimination, impositions, and other abuses in connection with the distribution and sale of motor vehicles.

(b) In addition to the duties delegated to the board under this chapter, the board shall enforce and administer Chapter 503, Transportation Code.

**General Powers of Board**

**Sec. 2301.153.** (a) Notwithstanding any other provision of law, the board has all powers necessary, incidental, or convenient to perform a power or duty expressly granted under this chapter, including the power to:

- (1) initiate and conduct proceedings, investigations, or hearings;
- (2) administer oaths;
- (3) receive evidence and pleadings;
- (4) issue subpoenas to compel the attendance of any person;
- (5) order the production of any tangible property, including papers, records, or other documents;
- (6) make findings of fact on all factual issues arising out of a proceeding initiated under this chapter;

- (7) specify and govern appearance, practice, and procedures before the board;
- (8) adopt rules and issue conclusions of law and decisions, including declaratory decisions or orders;
- (9) enter into contracts;
- (10) execute instruments;
- (11) retain counsel;
- (12) use the services of the attorney general and institute and direct the conduct of legal proceedings in any forum;
- (13) obtain other professional services as necessary and convenient;
- (14) impose a sanction for contempt;
- (15) assess and collect fees and costs, including attorney's fees;
- (16) issue, suspend, or revoke licenses;
- (17) prohibit and regulate acts and practices in connection with the distribution and sale of motor vehicles or warranty performance obligations;
- (18) issue cease and desist orders in the nature of temporary or permanent injunctions;
- (19) impose a civil penalty;
- (20) enter an order requiring a person to:
- (A) pay costs and expenses of a party in connection with an order entered under Section 2301.465;
- (B) perform an act other than the payment of money; or
- (C) refrain from performing an act; and
- (21) enforce a board order.
- (b) The board may inspect the books and records of a license holder in connection with the performance of its duties under this chapter.

### **Delegation of Powers**

**Sec. 2301.154.** The director may delegate any of the director's powers to one or more of the division's employees.

### **Rules**

**Sec. 2301.155.** The authority to adopt rules under this chapter is vested in the board. In accordance with this chapter and the rules, decisions, and orders of the board, the board shall adopt rules as necessary or convenient to administer this chapter and to govern practice and procedure before the board.

### **Deposit of Revenue**

**Sec. 2301.156.** Notwithstanding any other law to the contrary, all money collected by the board under this chapter shall be deposited in the state treasury to the credit of the state highway fund.

### **Immunity From Liability**

**Sec. 2301.157.** (a) Notwithstanding any other law, the director or a board member, hearings examiner, or division employee is not personally liable for damages resulting from an official act or omission unless the act or omission constitutes intentional or malicious malfeasance.

(b) The attorney general shall defend a person described by Subsection (a) in an action brought in connection with the act or omission by the person regardless of whether the person serves the board or division in any capacity at the time the action is brought.

(c) The state shall indemnify a person for a judgment in an action described by Subsection (a), but the state may seek contribution from the person if liability is otherwise permitted by this section.

### **Tolling of Time Limit During Mediation**

**Sec. 2301.160.** A time limit relating to a board proceeding that is imposed by this chapter on the board or on a dealer is tolled during the pendency of mediation required by this chapter or by a franchise agreement.

[Sections 2301.61-2301.200 reserved for expansion]

## **SUBCHAPTER E. PUBLIC INTEREST INFORMATION AND COMPLAINT PROCEDURES**

### **Public Interest Information**

**Sec. 2301.201.** (a) The director or the director's designee shall prepare information describing the functions of the board and the procedures by which complaints or protests are filed with and resolved by the board.

(b) The board shall make the information available to the public and appropriate state agencies.

### **Complaints; Records**

**Sec. 2301.202.** (a) The board shall provide to a person who files a complaint, and to each person that is the subject of the complaint, information about the board's policies and procedures relating to complaint investigation and resolution.

(b) The board shall keep an information file about each complaint filed with the board that the board has authority to resolve. The board shall keep the following information for each complaint filed by the board for the purpose of enforcing this chapter:

- (1) the date the complaint is filed;
- (2) the name of the person filing the complaint;

- (3) the subject matter of the complaint;
- (4) each person contacted in relation to the complaint;
- (5) a summary of the results of the review or investigation of the complaint; and
- (6) if the board does not take action on the complaint, an explanation of the reasons that action was not taken.

(c) If a written complaint is filed with the board that the board has authority to resolve, the board, at least quarterly and until final disposition of the complaint, shall notify the parties to the complaint of the status of the complaint unless the notice would jeopardize an ongoing board investigation.

### **Complaint Investigation and Disposition**

**Sec. 2301.203.** (a) If the board has reason to believe, through receipt of a complaint or otherwise, that a violation of this chapter or a rule, order, or decision of the board has occurred or is likely to occur, the board shall conduct an investigation unless it determines that the complaint is frivolous or for the purpose of harassment.

(b) If the investigation establishes that a violation of this chapter or a rule, order, or decision of the board has occurred or is likely to occur, the board shall initiate proceedings as it determines appropriate to enforce this chapter or its rules, orders, and decisions.

(c) The board may not file a complaint alleging a violation of this chapter or a board rule relating to advertising until the board has notified the license holder involved of the alleged violation and given the license holder an opportunity to cure the violation without further proceedings or liability.

### **Complaint Concerning Vehicle Defect**

**Sec. 2301.204.** (a) The owner of a motor vehicle or the owner's designated agent may make a complaint concerning a defect in a motor vehicle that is covered by a manufacturer's, converter's, or distributor's warranty agreement applicable to the vehicle.

(b) The complaint must be made in writing to the applicable dealer, manufacturer, converter, or distributor and must specify each defect in the vehicle that is covered by the warranty.

(c) The owner may also invoke the board's jurisdiction by sending a copy of the complaint to the board.

(d) A hearing may be scheduled on any complaint made under this section that is not privately resolved between the owner and the dealer, manufacturer, converter, or distributor.

### Notice of Complaint Procedure

**Sec. 2301.205.** (a) A franchised dealer shall provide notice of the complaint procedures provided by Section 2301.204 and Subchapter M to each person to whom the dealer sells a new motor vehicle.

(b) The board may require its approval of the contents of the notice required by Subsection (a) or may prescribe the contents of the notice.

(c) The failure to provide notice as required by this section is a violation of this chapter.

### Public Participation

**Sec. 2301.206.** (a) The board shall develop and implement policies that provide the public with a reasonable opportunity to appear before the board and to speak on any issue under the board's jurisdiction.

(b) The board shall prepare and maintain a written plan that describes how a person who does not speak English or who has a physical, mental, or developmental disability may be provided reasonable access to the board's programs.

[Sections 2301.207-2301.250 reserved for expansion]

## SUBCHAPTER F. LICENSE REQUIREMENTS

### License Required: Generally

**Sec. 2301.251.** (a) Unless a person holds a license issued under this chapter authorizing the activity, the person may not:

(1) engage in business as, serve in the capacity of, or act as a dealer, manufacturer, distributor, converter, representative, vehicle lessor, or vehicle lease facilitator in this state; or

(2) perform or offer to perform repair services on a motor vehicle under a franchise and a motor vehicle manufacturer's warranty, regardless of whether the person sells or offers to sell motor vehicles at the same location.

(b) A franchised dealer must have both a franchised motor vehicle dealer's general distinguishing number issued under Chapter 503, Transportation Code, and a license issued under this chapter.

(c) A manufacturer or distributor that directly or indirectly reimburses another person to perform warranty repair services on a vehicle is engaged in business in this state regardless of whether the manufacturer sells or offers for sale new motor vehicles in this state.

### License Required: Sale of New Motor Vehicles

**Sec. 2301.252.** (a) A person may not engage in the business of buying, selling, or exchanging new motor vehicles unless the person:

(1) holds a franchised dealer's license issued under this chapter for the make of new motor vehicle being bought, sold, or exchanged; or

(2) is a bona fide employee of the holder of a franchised dealer's license.

(b) For purposes of this section:

(1) the make of a conversion, ambulance, or fire-fighting vehicle is that of the chassis manufacturer; and

(2) the make of a motor home is that of the motor home manufacturer.

### **License Required: Vehicle Lease Facilitators**

**Sec. 2301.253.** Unless a person holds a vehicle lease facilitator license and complies with this chapter, the person may not:

(1) act in the capacity of or engage in the business of a vehicle lease facilitator;

(2) hold the person out to any other person as a "leasing company," "leasing agent," "lease facilitator," or similar title, directly or indirectly engaged in the business of a vehicle lease facilitator; or

(3) otherwise engage in the solicitation or procurement of a prospective lessee for a motor vehicle that is not titled in the name of and registered to the person.

### **License Not Required for Certain Vehicle Lessors or Vehicle Lease Facilitators**

**Sec. 2301.254.** (a) A person is not required to obtain a license to act as a vehicle lessor or a vehicle lease facilitator if the person is:

(1) a state or federally chartered financial institution or a regulated subsidiary of the financial institution; or

(2) a trust or other entity that owns an interest in a vehicle lease and the vehicle that is the subject of the lease, if the lease covering the vehicle is initiated, managed, serviced, and administered by a licensed vehicle lessor.

(b) A franchised dealer is not required to have a vehicle lessor or vehicle lease facilitator license to engage in any capacity in the business of leasing a motor vehicle that the dealer owns and is licensed under this chapter to sell.

### **Nonfranchised Dealers; General Distinguishing Number**

**Sec. 2301.255.** (a) A nonfranchised dealer may not operate as a dealer unless the person holds a general distinguishing number. A nonfranchised dealer is not required to obtain an additional license under this chapter.

(b) For purposes of a nonfranchised dealer, a reference to a license in this chapter means a general distinguishing number.

### **Review of New Applications**

**Sec. 2301.256.** A new application for a license under this chapter shall be reviewed and may be investigated to determine compliance with this chapter.

### **Application for Dealer's License**

**Sec. 2301.257.** (a) An application for a dealer's license must be on a form prescribed by the board. The application must include:

(1) the information required by Chapter 503, Transportation Code; and

(2) information relating to the applicant's financial resources, business integrity, business ability and experience, franchise if applicable, physical facilities, vehicle inventory, and other factors the board considers necessary to determine the applicant's qualifications to adequately serve the public.

(b) If a material change occurs in the information included in an application for a dealer's license, the dealer shall notify the director of the change within a reasonable time. The director shall prescribe a form for the disclosure of the change.

(c) A franchised dealer must apply for a separate license under this section for each separate and distinct dealership as determined by the board. Before changing a location, a dealer must obtain a new license for that location.

### **Request for Dealer's License Application Confidential**

**Sec. 2301.2575.** Notwithstanding any other law or rule, a request for an application for a dealer's license is confidential, is not an open record, and is not available for public inspection.

### **General Requirements for Application for Manufacturer's, Distributor's, Converter's, or Representative's License**

**Sec. 2301.258.** An application for a manufacturer's, distributor's, converter's, or representative's license must be on a form prescribed by the board. The application must include information the board determines necessary to fully determine the qualifications of an applicant, including financial resources, business integrity and experience, facilities and personnel for serving franchised dealers, and other information the board determines pertinent to safeguard the public interest and welfare.

### **Application for Manufacturer's License**

**Sec. 2301.259.** (a) An applicant for a manufacturer's license must provide a list of each distributor or representative acting for the applicant and each dealer

franchised to sell the applicant's products in this state and their respective locations. An applicant for or holder of a manufacturer's license must inform the board of a change to the list not later than the 15th day after the date of the change. Information submitted under this subsection becomes a part of the application.

(b) An application for a manufacturer's license must include a document stating the terms and conditions of each warranty agreement in effect at the time of the application on a product the manufacturer sells in this state so that the board may determine:

- (1) the protection provided a retail purchaser of the manufacturer's products;
- (2) the obligation of a franchised dealer under the agreement; and
- (3) the basis for compensating a franchised dealer for labor, parts, or other expenses under the agreement.

(c) An application for a manufacturer's license must include a statement regarding the manufacturer's compliance with Subchapter I and Sections 2301.451-2301.476.

(d) An application for a manufacturer's license must specify:

- (1) the preparation and delivery obligations of the manufacturer's franchised dealers before delivery of a new motor vehicle to a retail purchaser; and
- (2) the schedule of compensation to be paid to a franchised dealer for the work and service performed under Subdivision (1).

**Application for Distributor's License**

**Sec. 2301.260.** (a) An application for a distributor's license must disclose:

- (1) the manufacturer for whom the distributor will act;
- (2) whether the manufacturer is licensed in this state;
- (3) the warranty covering the motor vehicles to be sold;
- (4) the persons in this state who will be responsible for compliance with the warranty;
- (5) the terms of the contract under which the distributor will act for the manufacturer; and
- (6) the franchised dealers with whom the distributor will do business.

(b) An applicant for a distributor's license that has a responsibility under a warranty agreement must provide the same information relating to the agreement as is provided by an applicant for a manufacturer's license under Section 2301.259.

(c) An applicant for or holder of a distributor's license must inform the board of a change in the information provided under this section not later than the 15th day after the date of the change. Information submitted under this subsection becomes a part of the application.

**Application for Vehicle Lessor's License**

**Sec. 2301.261.** (a) An application for a vehicle lessor's license must:

- (1) be on a form prescribed by the board;
  - (2) contain evidence of compliance with Chapter 503, Transportation Code, if applicable; and
  - (3) state other information required by the board.
- (b) This chapter does not require a separate license for each employee of a vehicle lessor.

**Application for Vehicle Lease Facilitator License**

**Sec. 2301.262.** (a) An application for a vehicle lease facilitator license must be on a form prescribed by the board and contain the information required by the board.

- (b) This chapter does not require a separate license for each employee of a vehicle lease facilitator.

**License Issued Subject to New Law and Rules**

**Sec. 2301.263.** A license issued under this chapter is subject to each provision of this chapter and board rule in effect on the date the license is issued and each provision of this chapter and board rule that takes effect during the term of the license.

**License Fees**

**Sec. 2301.264.** (a) The annual fees for a license issued under this chapter are:

- (1) \$900 for a manufacturer or distributor, plus \$20 for each dealer franchised by the manufacturer or distributor;
- (2) for a franchised dealer:
  - (A) \$175, if the dealer sold fewer than 201 new motor vehicles during the preceding calendar year;
  - (B) \$275, if the dealer sold more than 200 but fewer than 401 new motor vehicles during the preceding calendar year;
  - (C) \$400, if the dealer sold more than 400 but fewer than 801 new motor vehicles during the preceding calendar year;
  - (D) \$500, if the dealer sold more than 800 but fewer than 1,201 new motor vehicles during the preceding calendar year;
  - (E) \$625, if the dealer sold more than 1,200 but fewer than 1,601 new motor vehicles during the preceding calendar year;
  - (F) \$750, if the dealer sold more than 1,600 new motor vehicles during the preceding calendar year; and

(G) \$100 for each location separate from the dealership at which the dealer does not offer motor vehicles for sale but performs warranty service work on vehicles the dealer is franchised and licensed to sell;

(3) \$100 for a representative;

(4) \$375 for a converter;

(5) for a vehicle lessor:

(A) \$175, if the lessor leased 200 or fewer motor vehicles during the preceding calendar year;

(B) \$275, if the lessor leased more than 200 but fewer than 401 motor vehicles during the preceding calendar year;

(C) \$400, if the lessor leased more than 400 but fewer than 801 motor vehicles during the preceding calendar year;

(D) \$500, if the lessor leased more than 800 but fewer than 1,201 motor vehicles during the preceding calendar year;

(E) \$625, if the lessor leased more than 1,200 but fewer than 1,601 motor vehicles during the preceding calendar year; and

(F) \$750, if the lessor leased more than 1,600 motor vehicles during the preceding calendar year; and

(6) \$375 for a vehicle lease facilitator.

(b) A person who fails to apply for a license required under this chapter or fails to pay a fee within the required time must pay a penalty equal to 50 percent of the amount of the fee for each 30 days after the date the license is required or the fee is due.

(c) The board may prorate the fee for a representative's license to allow the representative's license and the license of the manufacturer or distributor who employs the representative to expire on the same day.

(d) The board may refund from funds appropriated to the board for that purpose a fee collected under this chapter that is not due or that exceeds the amount due.

(e) The fee for an amendment to a license under this chapter is \$25.

(f) The fee for a duplicate license under this chapter is \$50.

### **Service of Process on License Holder**

**Sec. 2301.265.** Obtaining a license under this chapter constitutes doing business in this state. A license holder who fails to designate an agent for service of process is considered to have designated the secretary of state as the agent for receipt of service of process.

### **Duplicate License**

**Sec. 2301.266.** The board may:

(1) issue a duplicate license for any license the board issues;

(2) charge a fee for the issuance of a duplicate license; and

(3) adopt rules applicable to the issuance of a duplicate license.

## SUBCHAPTER G. LICENSE EXPIRATION AND RENEWAL

### License Term and Renewal

**Sec. 2301.301.** (a) Licenses issued under this chapter are valid for the period prescribed by the commission.

(b) The director may issue a license for a term of less than the period prescribed under Subsection (a) to coordinate the expiration dates of licenses held by a person that is required to obtain more than one license to perform activities under this chapter.

(c) The commission by rule may implement a system under which licenses expire on various dates during the year. If a license is issued or renewed for a term that is less than the period set under Subsection (a), the fee for the license shall be prorated so that the license holder pays only that portion of the fee that is allocable to the number of months during which the license is valid. On renewal of the license on the new expiration date, the entire license renewal fee is payable.

(d) A license renewal may be administratively granted unless a protest is made to the board.

(e) If the commission prescribes the term of a license under this chapter for a period other than one year, the commission shall prorate the applicable annual fee required under this chapter as necessary to reflect the term of the license.

### Notice of License Expiration

**Sec. 2301.302.** The board shall notify each person licensed under this chapter of the date of license expiration and the amount of the fee required for license renewal. The notice shall be mailed at least 30 days before the date of license expiration.

### Renewal of Dealer's License

**Sec. 2301.303.** A dealer shall renew the dealer's license on an application prescribed by the director. The director shall include in the renewal application a request for disclosure of material changes described by Section 2301.257.

### Procedure for Renewal of Certain Licenses

**Sec. 2301.304.** The holder of a manufacturer's, distributor's, converter's, or representative's license may apply for a renewal of the license by complying with the application process specified by this chapter and board rule.

**SUBCHAPTER H. DEALERS****General Prohibition**

**Sec. 2301.351.** A dealer may not:

- (1) violate a board rule;
- (2) aid or abet a person who violates this chapter; or
- (3) use false, deceptive, or misleading advertising.

**Prohibition: Requiring Additional Equipment After Retail Sale**

**Sec. 2301.352.** A franchised dealer may not require as a condition of the sale and delivery of a new motor vehicle a retail purchaser of the vehicle to purchase special features, equipment, parts, or accessories that the purchaser did not order or desire and that were not already installed on the vehicle at the time of sale.

**Prohibition: Performance of Obligation Under Agreement With Manufacturer**

**Sec. 2301.353.** A franchised dealer may not fail to perform an obligation placed on:

- (1) the selling dealer in connection with the preparation and delivery of a new motor vehicle for retail sale as provided in the manufacturer's preparation and delivery agreements on file with the board that are applicable to the vehicle; or
- (2) the dealer in connection with the manufacturer's warranty agreements on file with the board.

**Use of Signs**

**Sec. 2301.354.** (a) A franchised dealer may not operate without appropriate signs that:

- (1) are readily and easily visible to the public; and
  - (2) identify the dealer's place of business and the products the dealer offers for sale.
- (b) To the extent of a conflict between this section and another law, including an ordinance, this section prevails.
- (c) If a dispute arises under this section:
- (1) the board has exclusive jurisdiction to determine whether a sign complies with this section; and
  - (2) the board shall uphold an ordinance of a home-rule municipality and protect a franchised dealer from retribution by a manufacturer or distributor for complying with the ordinance.

### Use of Multiple Locations

**Sec. 2301.355.** (a) A franchised dealer may conduct business at more than one location, except that the dealer may establish and maintain a separate location for the display and sale of new motor vehicles only if expressly authorized by the dealer's franchise and license.

(b) A franchised dealer must hold a separate license for each separate and distinct dealership as required by Section 2301.257.

### Notice of Certain Proposed Changes

**Sec. 2301.356.** A licensed dealer shall promptly notify the board of any proposed change in its ownership, location, franchise, or any other matter the board by rule may require.

### Prohibited Fee

**Sec. 2301.357.** (a) A franchised dealer may not directly or indirectly pay a fee to a vehicle lessor or a vehicle lease facilitator.

(b) For purposes of Subsection (a), an adjustment in the purchase price paid for the lease or leased vehicle is not a fee. This subsection does not authorize a fee for referring leases or prospective lessees.

### Vehicle Show or Exhibition

**Sec. 2301.358.** (a) A person who holds a license issued under this chapter may not participate in a new motor vehicle show or exhibition unless:

(1) the person provides the board with written notice at least 30 days before the date the show or exhibition opens; and

(2) the board grants written approval.

(b) A person who holds a license issued under this chapter may not sell or offer for sale a new motor vehicle at a show or exhibition, but dealership personnel may be present to aid in showing and exhibiting new motor vehicles.

(c) This section does not prohibit the sale of a towable recreational vehicle, motor home, ambulance, fire-fighting vehicle, or tow truck at a show or exhibition if:

(1) the show or exhibition is approved by the board; and

(2) the sale is not otherwise prohibited by law.

(d) A rule adopted by the board regulating the off-site display or sale of towable recreational vehicles must include a provision that authorizes the display and sale of towable recreational vehicles at a private event in a trade area that would not otherwise qualify for the private event under the application of general participation requirements for organized dealer shows and exhibitions.

**Transfer of Ownership by Dealer**

**Sec. 2301.359.** (a) A dealer must notify the manufacturer or distributor of a vehicle the dealer is franchised to sell of the dealer's decision to assign, sell, or otherwise transfer a franchise or a controlling interest in the dealership to another person. The notice is the application by the dealer for approval by the manufacturer or distributor of the transfer.

(b) Notice under Subsection (a) must:

(1) be in writing and include the prospective transferee's name, address, financial qualifications, and business experience; and

(2) be sent by certified mail, return receipt requested.

(c) The notice must be accompanied by:

(1) a copy of pertinent agreements regarding the proposed assignment, sale, or transfer;

(2) completed application forms and related information generally used by the manufacturer or distributor in reviewing prospective dealers, if the forms are on file with the board; and

(3) the prospective transferee's written agreement to comply with the franchise to the extent that the franchise is not in conflict with this chapter.

(d) Not later than the 60th day after the date of receipt of a notice and application under this section, a manufacturer or distributor shall determine whether a dealer's prospective transferee is qualified and shall send a letter by certified mail, return receipt requested, informing the dealer of the approval or the unacceptability of the prospective transferee. If the prospective transferee is not acceptable, the manufacturer or distributor shall include a statement setting forth the material reasons for the rejection.

(e) A manufacturer or distributor may not unreasonably withhold approval of an application filed under Subsection (a). It is unreasonable for a manufacturer or distributor to reject a prospective transferee who is of good moral character and who meets the written, reasonable, and uniformly applied standards or qualifications, if any, of the manufacturer or distributor relating to the prospective transferee's business experience and financial qualifications.

(f) An application filed under this section is approved unless rejected by the manufacturer or distributor in the manner provided by this section.

**Review by Board Following Denial of Transfer**

**Sec. 2301.360.** (a) A dealer whose application is rejected under Section 2301.359 may file a protest with the board. A protest filed under this section is a contested case.

(b) In a protest under this section, the board must determine whether the prospective transferee is qualified. The burden is on the manufacturer or distributor to prove that the prospective transferee is not qualified. The board shall enter an order holding that the prospective transferee either is qualified or is not qualified.

(c) If the board's order is that the prospective transferee is qualified, the dealer's franchise is amended to reflect the change in franchisee, and the manufacturer or distributor shall accept the transfer for all purposes.

(d) If the board's order is that the prospective transferee is not qualified, the board may include in the order:

(1) specific reasons why the prospective transferee is not qualified; and

(2) specific conditions under which the prospective transferee would be qualified.

(e) If the board's order that a prospective transferee is not qualified includes specific conditions under which the prospective transferee would be qualified, the board may retain jurisdiction of the dispute for a time certain to allow the dealer and prospective transferee to meet the conditions.

### **Independent Mobility Motor Vehicle Dealer**

**Sec. 2301.361.** (a) Notwithstanding any other law or rule, an independent mobility motor vehicle dealer may:

(1) purchase or otherwise acquire a new motor vehicle with a lowered floor or frame or a raised roof and door to fit or equip the motor vehicle for retail sale as a mobility motor vehicle;

(2) display a new mobility motor vehicle to a person with a disability to fit or equip the vehicle as a mobility motor vehicle for the person; and

(3) sell or arrange for the sale and delivery of a new mobility motor vehicle to a purchaser at the independent mobility motor vehicle dealer's place of business if the transaction occurs through or by a franchised dealer of the motor vehicle's chassis line make.

(b) An independent mobility motor vehicle dealer who purchased or acquired a new motor vehicle from a franchised dealer to equip the vehicle as a mobility motor vehicle may not advertise the vehicle for sale until the vehicle is fitted or equipped as a mobility motor vehicle.

(c) An independent mobility motor vehicle dealer may not sell or offer to sell a new motor vehicle other than a new mobility motor vehicle.

*Added by HB 2216, Acts 2007, 80th Leg., R.S., Ch. 710, §2.*

### **Offsite Sales**

**Sec. 2301.361.** (a) Except as provided by Subsection (b) and Sections 2301.358(c) and (d), a dealer may only sell or offer to sell a motor vehicle from an established and permanent place of business:

(1) that is approved by the division; and

(2) for which a general distinguishing number has been issued.

(b) A dealer may sell or offer to sell a motor vehicle online through an advertisement on the Internet to a buyer who never personally appears at the dealer's established and permanent place of business.

*Added by HB 2559, Acts 2007, 80th Leg., R.S., Ch. 1363, §1.*

[Sections 2301.362-2301.400 reserved for expansion]

**SUBCHAPTER I. WARRANTIES: REIMBURSEMENT OF DEALER**

**Filing Requirements**

**Sec. 2301.401.** (a) A manufacturer or distributor shall file with the board a copy of the current requirements the manufacturer or distributor imposes on its dealers with respect to the dealer's:

- (1) duties under the manufacturer's or distributor's warranty; and
- (2) vehicle preparation and delivery obligations.

(b) Warranty or preparation and delivery requirements placed on a dealer by a manufacturer are not enforceable unless the requirements are reasonable and are disclosed and filed as required by Subsection (a).

**Rate of Compensation**

**Sec. 2301.402.** (a) A manufacturer or distributor shall fairly and adequately compensate its dealers for warranty work.

(b) A manufacturer or distributor may not pay or reimburse a dealer an amount of money for warranty work that is less than the amount the dealer charges a retail customer for similar nonwarranty work.

(c) In computing the amount of money a dealer charges a retail customer under Subsection (b), the manufacturer or distributor shall use the greater of:

- (1) the average labor rate charged during the preceding six months by the dealer on 100 sequential nonwarranty repair orders, exclusive of routine maintenance; or
- (2) the average labor rate charged for 90 consecutive days during the preceding six months by the dealer for nonwarranty repairs, exclusive of routine maintenance.

**Adjustment of Warranty Labor Rate**

**Sec. 2301.403.** (a) A dealer may request an adjustment in the dealer's warranty labor rate. The request must be sent to the manufacturer or distributor by certified mail, return receipt requested, and must state the requested rate and include information reasonably necessary to enable the manufacturer or distributor to adequately evaluate the request.

(b) Not later than the 60th day after the date of receipt of a request under this section, the manufacturer or distributor shall provide written notice to the requesting dealer of the approval or disapproval of the request. If the request is disapproved, the manufacturer or distributor shall state the reasons for the disapproval.

(c) A requesting dealer may file a protest with the board if the manufacturer or distributor:

- (1) disapproves the request; or
- (2) fails to respond within the time required by this section.

(d) After a protest is filed, the board may uphold the manufacturer's or distributor's decision only if the manufacturer or distributor proves by a preponderance of the evidence that the disapproval of the request or failure to respond was reasonable.

(e) If the board does not determine that the disapproval of the request or failure to respond was reasonable, the board shall order the requested rate into effect as of the 60th day after the receipt of the request by the manufacturer or distributor.

(f) Except by agreement of the parties, a warranty labor rate established under this subchapter may not be adjusted more often than once a year.

### **Time for Payment**

**Sec. 2301.404.** (a) A manufacturer or distributor shall pay a dealer's claim for reimbursement for warranty work or dealer preparation and delivery work not later than the 30th day after the date of approval of the claim.

(b) A claim that is not disapproved before the 31st day after the date of receipt is considered approved.

(c) If a claim is disapproved, the manufacturer or distributor shall provide the dealer written notice of the reasons for the disapproval.

### **Charge Back to Dealer**

**Sec. 2301.405.** (a) A manufacturer or distributor may not charge back to a dealer money paid by the manufacturer or distributor to satisfy a claim approved and paid under this subchapter unless the manufacturer or distributor shows that:

- (1) the claim was false or fraudulent;
- (2) repair work was not properly performed or was unnecessary to correct a defective condition; or
- (3) the dealer who made the claim failed to substantiate the claim as provided by the manufacturer's or distributor's requirements that were enforceable under Section 2301.401 at the time the claim was filed.

(b) A manufacturer or distributor may not audit a claim filed under this subchapter after the first anniversary of the date the claim is submitted unless the manufacturer or distributor has reasonable grounds to suspect that the claim was fraudulent.

### **Prohibited Requirements for Payment**

**Sec. 2301.406.** A manufacturer or distributor may not require, as a prerequisite to the payment of a claim for reimbursement, that a dealer file a

statement of actual time spent in performance of labor, unless actual time is the basis for reimbursement.

[Sections 2301.407-2301.450 reserved for expansion]

**SUBCHAPTER J. MANUFACTURERS, DISTRIBUTORS, AND REPRESENTATIVES**

**Prohibition: Items Not Ordered**

**Sec. 2301.451.** A manufacturer, distributor, or representative may not require or attempt to require a franchised dealer to order, accept delivery of, or pay anything of value, directly or indirectly, for a motor vehicle or an appliance, part, accessory, or any other commodity unless the dealer voluntarily ordered or contracted for the item.

**Delivery of Motor Vehicle or Part**

**Sec. 2301.452.** (a) A manufacturer, distributor, or representative shall deliver in a reasonable quantity and within a reasonable time to a franchised dealer who holds a franchise for a motor vehicle sold or distributed by the manufacturer, distributor, or representative any new motor vehicle or part or accessory for a new motor vehicle as covered by the franchise if the vehicle, part, or accessory is publicly advertised as being available for delivery or is actually being delivered.

(b) This section does not apply to a delivery prevented by:

- (1) an act of God;
- (2) a work stoppage or delay because of a strike or labor dispute;
- (3) a freight embargo; or
- (4) another cause beyond the control of the manufacturer, distributor,

or representative.

**Termination or Discontinuance of Franchise**

**Sec. 2301.453.** (a) Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not terminate or discontinue a franchise with a franchised dealer or directly or indirectly force or attempt to force a franchised dealer to relocate or discontinue a line-make or parts or products related to that line-make unless the manufacturer, distributor, or representative provides notice of the termination or discontinuance as required by Subsection (c) and:

- (1) the manufacturer, distributor, or representative receives the dealer's informed written consent;
- (2) the appropriate time for the dealer to file a protest under Subsection (e) has expired; or
- (3) the board makes a determination of good cause under Subsection (g).

(b) A termination or discontinuance to which this section applies includes a termination or discontinuance of a franchise that results from a change by a manufacturer, distributor, or representative of its:

- (1) distributor;
- (2) method of distribution of its products in this state; or
- (3) business structure or ownership.

(c) Except as provided by Subsection (d), the manufacturer, distributor, or representative must provide written notice by registered or certified mail to the dealer and the board stating the specific grounds for the termination or discontinuance. The notice must:

(1) be received not later than the 60th day before the effective date of the termination or discontinuance; and

(2) contain on its first page a conspicuous statement that reads: “NOTICE TO DEALER: YOU MAY BE ENTITLED TO FILE A PROTEST WITH THE TEXAS MOTOR VEHICLE BOARD IN AUSTIN, TEXAS, AND HAVE A HEARING IN WHICH YOU MAY PROTEST THE PROPOSED TERMINATION OR DISCONTINUANCE OF YOUR FRANCHISE UNDER THE TERMS OF CHAPTER 2301, OCCUPATIONS CODE, IF YOU OPPOSE THIS ACTION.”

(d) Notice may be provided not later than the 15th day before the effective date of termination or discontinuance if a licensed dealer fails to conduct its customary sales and service operations during its customary business hours for seven consecutive business days. This subsection does not apply if the failure is caused by:

- (1) an act of God;
- (2) a work stoppage or delay because of a strike or labor dispute;
- (3) an order of the board; or
- (4) another cause beyond the control of the dealer.

(e) A franchised dealer may file a protest with the board of the termination or discontinuance not later than the latter of:

- (1) the 60th day after the date of the receipt of the notice of termination or discontinuance; or
- (2) the time specified in the notice.

(f) After a timely protest is filed under Subsection (e), the board shall notify the party seeking the termination or discontinuance that:

- (1) a timely protest has been filed;
- (2) a hearing is required under this chapter; and
- (3) the party may not terminate or discontinue the franchise until the board issues its final order or decision.

(g) After a hearing, the board shall determine whether the party seeking the termination or discontinuance has established by a preponderance of the evidence that there is good cause for the proposed termination or discontinuance.

(h) If a franchise is terminated or discontinued, the manufacturer, distributor, or representative shall establish another franchise in the same line-make within a reasonable time unless it is shown to the board by a preponderance of the evidence that the community or trade area cannot reasonably support such

a dealership. If this showing is made, a license may not be issued for a franchised dealer in the same area until a change in circumstances is established.

(i) A manufacturer that changes its distributor or the method of distribution of its products in this state in a manner that results in unlawful termination or discontinuance of a franchise without good cause may not directly or indirectly distribute its products in this state.

### **Modification or Replacement of Franchise**

**Sec. 2301.454.** (a) Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not modify or replace a franchise if the modification or replacement would adversely affect to a substantial degree the dealer's sales, investment, or obligations to provide service to the public, unless:

(1) the manufacturer, distributor, or representative provides written notice by registered or certified mail to each affected dealer and the board of the modification or replacement; and

(2) if a protest is filed under this section, the board approves the modification or replacement.

(b) The notice required by Subsection (a)(1) must:

(1) be given not later than the 60th day before the date of the modification or replacement; and

(2) contain on its first page a conspicuous statement that reads: "NOTICE TO DEALER: YOU MAY BE ENTITLED TO FILE A PROTEST WITH THE TEXAS MOTOR VEHICLE BOARD IN AUSTIN, TEXAS, AND HAVE A HEARING IN WHICH YOU MAY PROTEST THE PROPOSED MODIFICATION OR REPLACEMENT OF YOUR FRANCHISE UNDER THE TERMS OF CHAPTER 2301, OCCUPATIONS CODE, IF YOU OPPOSE THIS ACTION."

(c) A franchised dealer may file a protest with the board of the modification or replacement not later than the latter of:

(1) the 60th day after the date of the receipt of the notice; or

(2) the time specified in the notice.

(d) After a protest is filed, the board shall determine whether the manufacturer, distributor, or representative has established by a preponderance of the evidence that there is good cause for the proposed modification or replacement. The prior franchise continues in effect until the board resolves the protest.

### **Determination of Good Cause for Termination, Discontinuance, Modification, or Replacement**

**Sec. 2301.455.** (a) Notwithstanding the terms of any franchise, in determining whether good cause has been established under Section 2301.453 or 2301.454, the board shall consider all existing circumstances, including:

(1) the dealer's sales in relation to the sales in the market;

(2) the dealer's investment and obligations;

(3) injury or benefit to the public;

(4) the adequacy of the dealer's service facilities, equipment, parts, and personnel in relation to those of other dealers of new motor vehicles of the same line-make;

(5) whether warranties are being honored by the dealer;

(6) the parties' compliance with the franchise, except to the extent that the franchise conflicts with this chapter; and

(7) the enforceability of the franchise from a public policy standpoint, including issues of the reasonableness of the franchise's terms, oppression, adhesion, and the parties' relative bargaining power.

(b) The desire of a manufacturer, distributor, or representative for market penetration does not by itself constitute good cause.

### **Use of Advertising**

**Sec. 2301.456.** A manufacturer, distributor, or representative may not:

(1) use any false, deceptive, or misleading advertising; or

(2) notwithstanding the terms of any franchise, require that a franchised dealer join, contribute to, or affiliate with, directly or indirectly, any advertising association.

### **Prohibition: Change of Franchised Dealer's Capital Structure**

**Sec. 2301.457.** Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not prevent a franchised dealer who meets reasonable capital requirements from reasonably changing:

(1) the capital structure of the dealership; or

(2) the means by or through which the dealer finances the operation of the dealership.

### **Prohibition: Change in Dealer Ownership**

**Sec. 2301.458.** Notwithstanding the terms of any franchise, except as provided by Section 2301.359 or 2301.360, a manufacturer, distributor, or representative may not fail to give effect to or attempt to prevent the sale or transfer of:

(1) a dealer, dealership, or franchise;

(2) an interest in a dealer, dealership, or franchise; or

(3) the management of a dealer, dealership, or franchise.

### **Prohibition: Use of Promissory Note, Security Agreement, or Insurance Policy**

**Sec. 2301.459.** Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not require or attempt to require that a franchised dealer assign to or act as an agent for a manufacturer, distributor, or representative to secure:

- (1) a promissory note or security agreement given in connection with the sale or purchase of a new motor vehicle; or
- (2) an insurance policy on or having to do with the operation of a vehicle that is sold.

### **Warranty, Preparation, or Delivery Agreement Obligations**

**Sec. 2301.460.** Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not, after a complaint and a hearing, fail or refuse to perform an obligation placed on the manufacturer in connection with the preparation, delivery, and warranty of a new motor vehicle as provided in the manufacturer's warranty, preparation, and delivery agreements on file with the board.

### **Liability of Franchised Dealer**

**Sec. 2301.461.** (a) Notwithstanding the terms of any franchise or any other law, a franchised dealer's preparation, delivery, and warranty obligations as filed with the board are the dealer's sole responsibility for product liability as between the dealer and a manufacturer or distributor.

(b) Notwithstanding the terms of any franchise or any other law, a manufacturer or distributor shall reimburse the dealer for any loss incurred by the dealer, including legal fees, court costs, and damages, as a result of the dealer having been named a party in a product liability action, except for a loss caused by the dealer's:

- (1) failure to comply with an obligation described by Subsection (a);
- (2) negligence or intentional misconduct; or
- (3) modification of a product without the authorization of the manufacturer or distributor.

### **Succession Following Death of Franchised Dealer**

**Sec. 2301.462.** (a) Notwithstanding the terms of any franchise, except as provided by Subsection (b), a manufacturer, distributor, or representative shall honor the succession to a dealership by a legal heir or devisee under:

- (1) the will of a franchised dealer; or
- (2) the laws of descent and distribution of this state.

(b) Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may refuse to honor a succession if, after notice and hearing, it is shown to the board that the result of the succession will be detrimental to the public interest and to the representation of the manufacturer or distributor.

(c) This section does not prevent a franchised dealer, during the dealer's lifetime, from designating any person as a successor dealer by a written instrument filed with the manufacturer or distributor.

**Prohibition: Payment of Rebate By Franchised Dealer**

**Sec. 2301.463.** Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not require a franchised dealer to directly or indirectly pay or assume any part of a refund, rebate, discount, or other financial adjustment made by the manufacturer, distributor, or representative to, or in favor of, a customer of the dealer, unless the dealer voluntarily agrees.

**Relocation of Franchise**

**Sec. 2301.464.** (a) Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not deny or withhold approval of a written application to relocate a franchise unless:

(1) the applicant receives written notice of the denial or withholding of approval not later than the 60th day after the date the application is received; and

(2) if the applicant files a protest with the board, the board makes a determination of reasonable grounds under this section.

(b) An application under Subsection (a) to relocate a franchise must contain information reasonably necessary to enable a manufacturer or distributor to adequately evaluate the application.

(c) If the applicant files a protest under Subsection (a)(2), the board shall hold a hearing. After the hearing, the board shall determine whether the manufacturer or distributor has established by a preponderance of the evidence that the grounds for the denial or withholding of approval of the relocation are reasonable.

**Payment to Franchised Dealer Following Termination of Franchise**

**Sec. 2301.465.** (a) In this section:

(1) "Net cost" means the franchised dealer cost for a new, unsold, undamaged, and complete motor vehicle of the current model year or the previous model year in a dealer's inventory:

(A) plus any charges by the manufacturer, distributor, or representative for distribution, delivery, and taxes; and

(B) less all allowances paid to the franchised dealer by the manufacturer, distributor, or representative.

(2) "Net discount value" is the net cost multiplied by the total mileage, exclusive of mileage placed on the motor vehicle before it was delivered to the dealer, divided by 100,000.

(b) Notwithstanding the terms of any franchise, after the termination of a franchise, a manufacturer, distributor, or representative shall pay to a franchised dealer or any lienholder, in accordance with the interest of each, the following amounts:

(1) the dealer cost of each new motor vehicle in the dealer's inventory with mileage of 6,000 miles or less, exclusive of mileage placed on the vehicle before it was delivered to the dealer, reduced by the net discount value of each vehicle, except that if a vehicle cannot be reduced by the net discount value, the manufacturer or distributor shall pay the dealer the net cost of the vehicle;

(2) the dealer cost of each new, unused, undamaged, and unsold part or accessory that:

(A) is in the current parts catalogue and is still in the original, resalable merchandising package and in an unbroken lot, except in the case of sheet metal, a comparable substitute for the original package may be used; and

(B) was purchased by the dealer either directly from the manufacturer or distributor or from an outgoing authorized dealer as a part of the dealer's initial inventory;

(3) the fair market value of each undamaged sign owned by the dealer that bears a trademark or tradename used or claimed by the manufacturer, distributor, or representative and that was purchased from or at the request of the manufacturer, distributor, or representative;

(4) the fair market value of all special tools, data processing equipment, and automotive service equipment owned by the dealer that:

(A) were recommended in writing and designated as special tools and equipment;

(B) were purchased from or at the request of the manufacturer, distributor, or representative; and

(C) are in usable and good condition except for reasonable wear and tear; and

(5) the cost of transporting, handling, packing, storing, and loading any property subject to repurchase under this section.

(c) An amount described by Subsection (b) is due:

(1) for property described by Subsection (b)(1), not later than the 60th day after the date a franchise is terminated; and

(2) for all other property described by Subsection (b), not later than the 90th day after the date a franchise is terminated.

(d) As a condition of payment, a franchised dealer must comply with reasonable requirements provided by the franchise regarding the return of inventory.

(e) A manufacturer or distributor shall reimburse a franchised dealer for the dealer's cost for storing any property covered by this section:

(1) beginning on the 91st day after the date the franchise is terminated; or

(2) before the date described by Subdivision (1) if the dealer notifies the manufacturer or distributor of the commencement of storage charges within that period.

(f) On receipt of notice under Subsection (e)(2), a manufacturer or distributor may immediately take possession of the property by repurchase under this section.

(g) A manufacturer, distributor, or representative who fails to pay an amount within the time required by this section or at the time the dealer and any lienholder proffer good title before the time required for payment, is liable to the dealer for:

- (1) the dealer cost, fair market value, or current price of the inventory, whichever amount is highest;
- (2) interest on the amount due computed at the rate applicable to a judgment of a court; and
- (3) reasonable attorney's fees and costs.

### **Arbitration**

**Sec. 2301.466.** (a) Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not require a franchised dealer to submit to arbitration on any issue unless the dealer and the manufacturer, distributor, or representative and their respective counsel agree to the arbitration after a controversy arises.

(b) An arbitrator shall apply this chapter in resolving a controversy. Either party may appeal to the board a decision of an arbitrator on the ground that the arbitrator failed to apply this chapter.

### **Prohibitions: Sales Standards, Purchase of Equipment**

**Sec. 2301.467.** Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not:

- (1) require adherence to unreasonable sales or service standards; or
- (2) unreasonably require a franchised dealer to purchase special tools or equipment.

### **Discrimination Among Dealers or Franchisees**

**Sec. 2301.468.** A manufacturer, distributor, or representative may not:

- (1) notwithstanding the terms of any franchise, directly or indirectly discriminate against a franchised dealer or otherwise treat franchised dealers differently as a result of a formula or other computation or process intended to gauge the performance of a dealership; or
- (2) discriminate unreasonably between or among franchisees in the sale of a motor vehicle owned by the manufacturer or distributor.

### **Costs of Product Recall**

**Sec. 2301.469.** Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative shall compensate a franchised dealer for all costs incurred by the dealer as required by the manufacturer in complying with

a product recall by the manufacturer or distributor, including any costs incurred by the dealer in notifying vehicle owners of the existence of the recall.

### **Prohibition: Conditions for Financing Motor Vehicle**

**Sec. 2301.470.** A manufacturer, distributor, or representative may not directly or indirectly, or through a subsidiary or agent, require as a condition for obtaining financing for a motor vehicle that:

(1) the purchaser of the vehicle purchase any product other than the motor vehicle from the manufacturer, the distributor, or an entity owned or controlled by the manufacturer or distributor; or

(2) an insurance policy or service contract bought by the purchaser be from a specific source.

### **Use of Financing Subsidiary**

**Sec. 2301.471.** (a) A manufacturer, distributor, or representative may not:

(1) compel a franchised dealer through a financing subsidiary of the manufacturer or distributor to agree to unreasonable operating requirements; or

(2) directly or indirectly terminate a franchise through the actions of a financing subsidiary of the manufacturer or distributor.

(b) This section does not limit the right of a financing entity to engage in business practices in accordance with the usage of trade in retail and wholesale motor vehicle financing.

### **Addition of Line-Make**

**Sec. 2301.472.** (a) Notwithstanding the terms of any franchise, a manufacturer, distributor, or representative may not deny or withhold approval of a franchised dealer's application to add a line-make or parts or products related to that line-make unless:

(1) the manufacturer or distributor provides written notice of the denial or withholding of approval to the applicant not later than the 60th day after the date the application is received; and

(2) if the applicant files a protest under this section, the board upholds the denial or withholding of approval.

(b) After receiving notice under Subsection (a)(1), a dealer may file a protest with the board.

(c) If the dealer files a protest, the board may uphold the manufacturer's or distributor's decision to deny or withhold approval of the addition of the line-make only if the manufacturer or distributor establishes by a preponderance of the evidence that the denial or withholding of approval was reasonable.

(d) In determining whether a manufacturer or distributor has established that the denial or withholding of approval is reasonable, the board shall consider all existing circumstances, including:

- (1) the dealer's sales in relation to the sales in the market;
- (2) the dealer's investment and obligations;
- (3) injury or benefit to the public;
- (4) the adequacy of the dealer's sales and service facilities, equipment, parts, and personnel in relation to those of other dealers of new motor vehicles of the same line-make;
- (5) whether warranties are being honored by the dealer agreement;
- (6) the parties' compliance with the franchise, except to the extent that the franchise conflicts with this chapter;
- (7) the enforceability of the franchise from a public policy standpoint, including issues of the reasonableness of the franchise's terms, oppression, adhesion, and the parties' relative bargaining power;
- (8) whether the dealer complies with reasonable capitalization requirements or will be able to comply with reasonable capitalization requirements within a reasonable time;
- (9) any harm to the manufacturer if the denial or withholding of approval is not upheld; and
- (10) any harm to the dealer if the denial or withholding of approval is upheld.

### **Models Within Line-Make**

**Sec. 2301.473.** A manufacturer, distributor, or representative may not:

- (1) fail or refuse to offer to its same line-make franchised dealers all models manufactured for that line-make; or
  - (2) require as a prerequisite to receiving a model or series of vehicles that a franchised dealer:
    - (A) pay an extra fee;
    - (B) purchase unreasonable advertising displays or other materials;
- or
- (C) remodel, renovate, or recondition the dealer's existing facilities.

### **Payment of Costs for Administrative or Civil Proceeding**

**Sec. 2301.474.** (a) A manufacturer, distributor, or representative may not require a franchised dealer to compensate the manufacturer or distributor for any court costs, attorney's fees, or other expenses incurred in an administrative or civil proceeding arising under this chapter.

(b) This section does not prohibit a manufacturer and a franchised dealer from entering into an agreement to share costs in a proceeding in which the dealer and manufacturer have the same or similar interests.

### **Manufacturer or Distributor Incentive Programs**

**Sec. 2301.475.** (a) Except as provided by Subsection (b), after the first anniversary of the ending date of a manufacturer or distributor incentive program, a manufacturer or distributor may not:

- (1) charge back to a dealer money paid by the manufacturer or distributor as a result of the incentive program;
- (2) charge back to a dealer the cash value of a prize or other thing of value awarded to the dealer as a result of the incentive program; or
- (3) audit the records of a dealer to determine compliance with the terms of the incentive program, unless the manufacturer or distributor has reasonable grounds to believe the dealer committed fraud with respect to the incentive program.

(b) A manufacturer or distributor may make charge-backs to a dealer if, after an audit, the manufacturer or distributor has reasonable grounds to conclude that the dealer committed fraud with respect to the incentive program.

### **Manufacturer or Distributor Ownership, Operation, or Control of Dealership**

**Sec. 2301.476.** (a) In this section, “manufacturer” includes:

- (1) a representative; or
- (2) a person who:
  - (A) is affiliated with a manufacturer or representative; or
  - (B) directly or indirectly through an intermediary, is controlled by, or is under common control with, a manufacturer.

(b) For purposes of Subsection (a)(2)(B), a person is controlled by a manufacturer if the manufacturer is directly or indirectly authorized, by law or by agreement of the parties, to direct or influence the person’s management and policies.

(c) Except as provided by this section, a manufacturer or distributor may not directly or indirectly:

- (1) own an interest in a dealer or dealership;
- (2) operate or control a dealer or dealership; or
- (3) act in the capacity of a dealer.

(d) A manufacturer or distributor may own an interest in a franchised dealer, or otherwise control a dealership, for a period not to exceed 12 months from the date the manufacturer or distributor acquires the dealership if:

- (1) the person from whom the manufacturer or distributor acquired the dealership was a franchised dealer; and
- (2) the dealership is for sale by the manufacturer or distributor at a reasonable price and on reasonable terms and conditions.

(e) On a showing of good cause by a manufacturer or distributor, the board may extend the time limit imposed under Subsection (d) for a period not to exceed an additional 12 months. An application for an extension after the first

extension is granted is subject to protest by a dealer of the same line-make whose dealership is located in the same county as, or within 15 miles of, the dealership owned or controlled by the manufacturer or distributor.

(f) For the purpose of determining compliance with Subsection (d)(2), the price of a dealership and the other terms and conditions of a contract for the sale of a dealership are reasonable if the purchaser is a franchised dealer who:

- (1) has made a significant investment in the dealership, subject to loss;
- (2) has an ownership interest in the dealership; and
- (3) operates the dealership under a plan to acquire full ownership of the dealership within a reasonable time and under reasonable terms and conditions.

(g) For the purpose of broadening the diversity of its dealer body and enhancing opportunities for qualified persons who are part of a group that has been historically underrepresented in its dealer body, or other qualified persons who lack the resources to purchase a dealership outright, but for no other purpose, a manufacturer or distributor may temporarily own an interest in a dealership if the manufacturer's or distributor's participation in the dealership is in a bona fide relationship with a franchised dealer who:

- (1) has made a significant investment in the dealership, subject to loss;
- (2) has an ownership interest in the dealership; and
- (3) operates the dealership under a plan to acquire full ownership of the dealership within a reasonable time and under reasonable terms.

(h) A person who on June 7, 1995, held both a motor home manufacturer's license and a motor home dealer's license issued under this chapter may:

- (1) continue to hold both licenses; and
- (2) operate as both a manufacturer and dealer of motor homes but of no other type of vehicle.

(i) Notwithstanding the terms of this chapter, and subject to the limitations set forth in this subsection, a manufacturer or distributor may own an interest in an entity that holds a general distinguishing number if the entity:

- (1) is primarily engaged in the business of renting to other persons passenger vehicles or commercial motor vehicles that the entity owns; and
- (2) sells or offers for sale no vehicle other than a vehicle that the entity:
  - (A) owns and has taken from service in its rental fleet; or
  - (B) has taken in trade as part of a transaction involving the sale of a vehicle taken from service in its rental fleet.

(j) This section does not prohibit a manufacturer or distributor that owned, on or before January 1, 2007, an interest in a motor vehicle dealer engaged in the sale of used motor vehicles, and that has not agreed to or been ordered by a court order or ruling to comply with Subsection (c), from continuing to directly or indirectly own an interest in the motor vehicle dealer if the manufacturer's or

distributor’s ownership and control of the motor vehicle dealer does not increase after January 1, 2007. The exception provided by this subsection:

(1) applies if the motor vehicle dealer is engaged in the business of selling or offering for sale only used trucks that have a gross vehicle weight rating of 16,000 pounds or more;

(2) does not apply if the motor vehicle dealer sells a new motor vehicle;

(3) does not permit an increase in the manufacturer’s or distributor’s ownership interest in the motor vehicle dealer;

(4) does not grant an exception to this chapter other than the exception expressly provided by this subsection;

(5) applies regardless of whether there is a transfer or relocation of the motor vehicle dealer required by:

(A) an act of God;

(B) the exercise of eminent domain authority; or

(C) another reason approved by the division after a hearing conducted in the same manner as a contested case under Subchapter O; and

(6) does not apply if the manufacturer or distributor no longer owns the interest in the motor vehicle dealer that the manufacturer or distributor owned on or before January 1, 2007.

(k) A motor vehicle dealer under Subsection (j) violates that subsection if the dealer:

(1) sells or offers for sale a motor vehicle with a gross vehicle weight rating of less than 16,000 pounds, other than a motor vehicle the dealer has acquired as a trade-in in a transaction involving the retail sale of a motor vehicle with a gross vehicle weight rating of 16,000 pounds or more and if the trade-in motor vehicle will be sold or offered for sale only to a person who holds a general distinguishing number issued in the category described by Section 503.029(a)(6)(C), Transportation Code;

(2) performs or offers to perform new motor vehicle warranty repair;

or

(3) sells or offers for sale a new motor vehicle.

(l) A manufacturer or distributor described by Subsection (j) violates that subsection if the manufacturer or distributor:

(1) sells, assigns, or otherwise transfers an interest in the motor vehicle dealer or a portion of its interest in the motor vehicle dealer to an unaffiliated manufacturer or distributor; or

(2) increases its ownership interest in the motor vehicle dealer.

(m) A person who violates Subsection (j), (k), or (l) is subject to:

(1) a civil penalty under Section 2301.801;

(2) a suit for injunctive relief under Section 2301.804; and

(3) denial, revocation, or suspension of a license under Section

2301.651.

(n) For purposes of Subsections (j), (k), and (l), a reference to a motor vehicle dealer includes the physical premises, business facilities, and operations where motor vehicle sales occur.

(o) This subsection, Subsections (j) through (n), and the exception provided by Subsection (j) expire September 1, 2023.

*Section 2301.476 (j) - (n) is effective September 1, 2007.*

**Manufacturer Doing Business in This State**

**Sec. 2301.477.** A manufacturer whose products are offered for sale in this state under a franchise entered into between its distributor or representative and a dealer is bound by the terms of the franchise and this chapter as if the manufacturer had executed the franchise.

**Action on Franchise**

**Sec. 2301.478.** (a) Notwithstanding the terms of any franchise or any other law, an action or proceeding brought by a manufacturer, representative, converter, or distributor against a dealer must be brought in an appropriate forum in this state only, and the law of this state applies to the action or proceeding.

(b) Each party to a franchise owes to the other party a duty of good faith and fair dealing that is actionable in tort.

[Sections 2301.479-2301.520 reserved for expansion]

**SUBCHAPTER K. MEDIATION BETWEEN DEALER AND MANUFACTURER OR DISTRIBUTOR**

**Definition**

**Sec. 2301.521.** In this subchapter, “mediation” means a nonbinding forum in which an impartial mediator facilitates communication between parties to promote reconciliation, settlement, or understanding between the parties.

**Mediation Applicable**

**Sec. 2301.522.** (a) In an action brought against a manufacturer or distributor under Sections 2301.451-2301.474 by a franchised dealer whose franchise provides for arbitration in compliance with this chapter, the board shall order the parties to submit the dispute to mediation in the manner provided by this subchapter.

(b) Subsection (a) applies only if the dealer’s franchise does not contain an arbitration provision in conflict with this chapter. In a dispute concerning whether Subsection (a) applies, the board shall enter an order either that the

franchise contains a provision in conflict with this chapter or that it does not. If the board determines that the franchise does not contain an arbitration provision that conflicts with this chapter, the board shall order the parties to proceed to mediation as provided by this subchapter.

(c) An order issued under Subsection (b) is not appealable.

(d) This subchapter does not apply to an action brought by the board to enforce this chapter.

### **Mediator**

**Sec. 2301.523.** (a) By agreement, the parties shall select and compensate a mediator who is qualified to serve under Section 154.052(a), Civil Practice and Remedies Code.

(b) Sections 154.053 and 154.055, Civil Practice and Remedies Code, apply to a mediator under this subchapter.

(c) A mediator may not impose the mediator's own judgment on the issues for that of the parties.

### **Location and Schedule of Mediation**

**Sec. 2301.524.** (a) The parties by agreement shall select a venue and schedule for mediation under this subchapter. If the parties are unable to agree on a venue and schedule, the mediator shall select a venue and schedule.

(b) Except by written agreement of all parties, mediation must be held in this state.

(c) Mediation must be completed not later than the 60th day after the date the board orders the parties to mediate. The deadline may be extended by the board at the request of all parties.

### **Law Applicable; Conflict of Laws**

**Sec. 2301.525.** (a) Except as provided by Subsection (b) of this section, Section 154.073, Civil Practice and Remedies Code, applies to mediation under this subchapter.

(b) If Section 154.073, Civil Practice and Remedies Code, conflicts with another legal requirement for disclosure of communications or materials, the issue of confidentiality may be presented to the board to determine, in camera, whether the facts, circumstances, and context of the communications or materials sought to be disclosed warrant a protective order of the board or whether the communications or materials are subject to disclosure.

(c) This subchapter controls over any other law relating to or requiring mediation between or among license holders.

**Costs of Mediation**

**Sec. 2301.526.** (a) The board is not liable for the compensation paid or to be paid to a mediator employed under this subchapter.

(b) Without regard to the outcome of mediation or subsequent regulatory or judicial proceedings, costs incurred by a party in mediation required by this subchapter may not be imposed on the opposing party.

**Jurisdiction of Board**

**Sec. 2301.527.** The board retains jurisdiction of the subject matter of and parties to a dispute during mediation and may, on the motion of a party or on its own motion, enter appropriate orders.

**Effect of Mediation on Chapter**

**Sec. 2301.528.** (a) Except as provided by this subchapter, mediation under this subchapter does not affect a procedural right or duty conferred by this chapter or by board rule.

(b) Procedural time limits imposed by this chapter or under the authority of this chapter are tolled during mediation.

(c) Mediation does not affect any right of a person who is not a party to the mediation.

(d) The board shall stay proceedings involving the parties in mediation until the board receives the mediator's certification that mediation has concluded.

**Outcome of Mediation**

**Sec. 2301.529.** (a) If mediation resolves the dispute, the board shall enter an order incorporating the terms of the agreement reached in mediation.

(b) If mediation does not resolve the dispute, the board shall proceed to a contested case hearing or other appropriate exercise of its jurisdiction.

[Sections 2301.530-2301.550 reserved for expansion]

**SUBCHAPTER L. VEHICLE LESSORS AND VEHICLE LEASE FACILITATORS**

**Acceptance and Payment of Fees by Vehicle Lessor**

**Sec. 2301.551.** (a) A vehicle lessor may not directly or indirectly accept a fee from a dealer. For purposes of this subsection, "fee" does not include an

adjustment in the purchase price paid for the lease or leased vehicle. This subsection does not authorize a fee for referring vehicle leases or prospective lessees.

(b) A vehicle lessor may not pay a fee to any person in return for the solicitation, procurement, or production by the person of a prospective lessee of a motor vehicle unless the person:

- (1) holds a vehicle lease facilitator license issued under this chapter;
- and
- (2) has an appointment from the lessor as provided by Section 2301.552.

(c) The fees prohibited by this section do not include money paid to:

- (1) a franchised dealer as a part of the consideration for the sale or assignment of a lease or leased vehicle; or
- (2) a franchised dealer who transfers title of the vehicle or assigns the lease contract to the lessor of the motor vehicle.

### **Appointment of Vehicle Lease Facilitator**

**Sec. 2301.552.** (a) A vehicle lessor may appoint one or more vehicle lease facilitators licensed under this chapter to represent the lessor in obtaining prospective vehicle lessees.

(b) An appointment must:

- (1) be in writing;
- (2) disclose its terms; and
- (3) comply with board rules.

### **Disclosure of Fee Required**

**Sec. 2301.553.** (a) In a vehicle lease solicited, procured, or produced by a vehicle lease facilitator, the vehicle lessor shall disclose to the lessee that a fee was paid or will be paid to the vehicle lease facilitator for the solicitation, procurement, or production of the lessee or the lease.

(b) The vehicle lessor shall include the disclosure in a prominent position either:

- (1) on the face of the written memorandum of the vehicle lease;
- or
- (2) on a separate instrument signed by the lessee at the same time as the signing of the vehicle lease.

### **Terms of Lease: Foreign Countries**

**Sec. 2301.554.** (a) Except as provided by Subsection (b) or by federal law, including a federal agency rule, a vehicle lessor may not, and the vehicle lease may not, prohibit the lessee from taking the vehicle that is the subject of the lease into a specific foreign country unless the lease prohibits the lessee from taking the vehicle into any foreign country.

(b) In the interests of justice and giving deference to standard national business practices, the board may adopt a rule by which a lease may prohibit the lessee from taking the vehicle into a specific foreign country regardless of whether the lease prohibits the lessee from taking the vehicle into another foreign country. In adopting a rule under this subsection the board shall give consideration to the proximity of international borders to prospective Texas lessees.

### **Limitations on Vehicle Lease Facilitator**

**Sec. 2301.555.** (a) A vehicle lease facilitator may not:

- (1) sell or offer to sell a new motor vehicle;
- (2) accept a fee from a dealer;
- (3) sign a motor vehicle manufacturer's statement of origin to a vehicle, accept an assignment of a manufacturer's statement of origin to a vehicle, or otherwise assume any element of title to a new motor vehicle;
- (4) procure or solicit a prospective vehicle lessee for or on behalf of any person other than a vehicle lessor; or
- (5) act in the capacity of or engage in the business of a vehicle lease facilitator without having an appointment from a vehicle lessor as provided by Section 2301.552.

(b) Except as provided by Subsection (a)(2), a vehicle lease facilitator may accept a fee for procuring a vehicle lessee or prospective vehicle lessee for or on behalf of a lessor.

(c) This section does not:

- (1) limit the ability of a vehicle lease facilitator to accept an appointment from more than one vehicle lessor; or
- (2) prohibit a vehicle lease facilitator from representing a vehicle lessor or lessee in acquiring a motor vehicle to lease the vehicle to another person.

### **Use of Certain Terms**

**Sec. 2301.556.** With respect to the regulation of motor vehicle distribution under this chapter, a person may not use the word "lease" or "leasing," or any variation of those words, in the person's name or in the name of an entity owned by the person unless the person is:

- (1) licensed under this chapter as a vehicle lessor or vehicle lease facilitator; or
- (2) exempt under Section 2301.254 from the requirement to obtain a license.

[Sections 2301.557-2301.600 reserved for expansion]

**SUBCHAPTER M. WARRANTIES: RIGHTS OF VEHICLE OWNERS****Definitions**

**Sec. 2301.601.** In this subchapter:

(1) “Impairment of market value” means a substantial loss in market value caused by a defect specific to a motor vehicle.

(2) “Owner” means a person who:

(A) purchased a motor vehicle at retail from a license holder and is entitled to enforce a manufacturer’s warranty with respect to the vehicle;

(B) is a lessor or lessee, other than a sublessee, who purchased or leased the vehicle from a license holder; or

(C) is the transferee or assignee of a person described by Paragraph (A) or (B), a resident of this state, and entitled to enforce the manufacturer’s warranty.

(3) “Reasonable allowance for use” means the amount directly attributable to use of a motor vehicle when the vehicle is not out of service for repair.

(4) “Serious safety hazard” means a life-threatening malfunction or nonconformity that:

(A) substantially impedes a person’s ability to control or operate a motor vehicle for ordinary use or intended purposes; or

(B) creates a substantial risk of fire or explosion.

**Duty of Board**

**Sec. 2301.602.** (a) The board shall cause a manufacturer, converter, or distributor to perform an obligation imposed by this subchapter.

(b) The board shall adopt rules for the enforcement and implementation of this subchapter.

**Conformance With Warranty Required**

**Sec. 2301.603.** (a) A manufacturer, converter, or distributor shall make repairs necessary to conform a new motor vehicle to an applicable manufacturer’s, converter’s, or distributor’s express warranty.

(b) Subsection (a) applies after the expiration date of a warranty if:

(1) during the term of the warranty, the owner or the owner’s agent reported the nonconformity to the manufacturer, converter, or distributor, or to a designated agent or franchised dealer of the manufacturer, converter, or distributor; or

(2) a rebuttable presumption relating to the vehicle is created under Section 2301.605.

(c) This subchapter does not limit a remedy available to an owner under a new motor vehicle warranty that extends beyond the provisions of this subchapter.

**Replacement of or Refund for Vehicle**

**Sec. 2301.604.** (a) A manufacturer, converter, or distributor that is unable to conform a motor vehicle to an applicable express warranty by repairing or correcting a defect or condition that creates a serious safety hazard or substantially impairs the use or market value of the motor vehicle after a reasonable number of attempts shall reimburse the owner for reasonable incidental costs resulting from loss of use of the motor vehicle because of the nonconformity or defect and:

(1) replace the motor vehicle with a comparable motor vehicle; or  
(2) accept return of the vehicle from the owner and refund to the owner the full purchase price, less a reasonable allowance for the owner's use of the vehicle, and any other allowances or refunds payable to the owner.

(b) A refund made for a vehicle for which there is a lienholder shall be made to the owner and lienholder in proportion to each person's interest in the vehicle.

(c) As necessary to promote the public interest, the board by rule:

(1) shall define the incidental costs that are eligible for reimbursement;

(2) shall specify other requirements necessary to determine an eligible cost; and

(3) may set a maximum amount that is eligible for reimbursement, either by type of eligible cost or by a total for all costs.

**Rebuttable Presumption—Reasonable Number of Attempts**

**Sec. 2301.605.** (a) A rebuttable presumption that a reasonable number of attempts have been undertaken to conform a motor vehicle to an applicable express warranty is established if:

(1) the same nonconformity continues to exist after being subject to repair four or more times by the manufacturer, converter, or distributor or an authorized agent or franchised dealer of a manufacturer, converter, or distributor and:

(A) two of the repair attempts were made in the 12 months or 12,000 miles, whichever occurs first, following the date of original delivery to the owner; and

(B) the other two repair attempts were made in the 12 months or 12,000 miles, whichever occurs first, immediately following the date of the second repair attempt;

(2) the same nonconformity creates a serious safety hazard and continues to exist after causing the vehicle to have been subject to repair two or more times by the manufacturer, converter, or distributor or an authorized agent or franchised dealer of a manufacturer, converter, or distributor and:

(A) at least one attempt to repair the nonconformity was made in the 12 months or 12,000 miles, whichever occurs first, following the date of original delivery to the owner; and

(B) at least one other attempt to repair the nonconformity was made in the 12 months or 12,000 miles, whichever occurs first, immediately following the date of the first repair attempt; or

(3) a nonconformity still exists that substantially impairs the vehicle's use or market value and:

(A) the vehicle is out of service for repair for a cumulative total of 30 or more days in the 24 months or 24,000 miles, whichever occurs first, following the date of original delivery to the owner; and

(B) at least two repair attempts were made in the 12 months or 12,000 miles following the date of original delivery to an owner.

(b) A period or a number of days or miles described by Subsection (a) is extended for any period that repair services are not available to the owner because of:

(1) a war, invasion, or strike; or

(2) a fire, flood, or other natural disaster.

(c) The 30 days described by Subsection (a)(3)(A) do not include any period during which the manufacturer or distributor lends the owner a comparable motor vehicle while the owner's vehicle is being repaired by a franchised dealer.

### Conduct of Proceedings

**Sec. 2301.606.** (a) The director under board rules shall conduct hearings and issue final orders for the implementation and enforcement of this subchapter. An order issued by the director under this subchapter is considered a final order of the board.

(b) In a hearing before the director under this subchapter, a manufacturer, converter, or distributor may plead and prove as an affirmative defense to a remedy under this subchapter that a nonconformity:

(1) is the result of abuse, neglect, or unauthorized modification or alteration of the motor vehicle; or

(2) does not substantially impair the use or market value of the motor vehicle.

(c) The director may not issue an order requiring a manufacturer, converter, or distributor to make a refund or to replace a motor vehicle unless:

(1) the owner or a person on behalf of the owner has mailed written notice of the alleged defect or nonconformity to the manufacturer, converter, or distributor; and

(2) the manufacturer, converter, or distributor has been given an opportunity to cure the alleged defect or nonconformity.

(d) A proceeding under this subchapter must be commenced not later than six months after the earliest of:

(1) the expiration date of the express warranty term; or

(2) the dates on which 24 months or 24,000 miles have passed since the date of original delivery of the motor vehicle to an owner.

**Exhaustion of Administrative Remedies; Right to Sue**

**Sec. 2301.607.** (a) A refund or replacement under this subchapter because a motor vehicle is alleged to not conform to an express warranty is not available to the owner of the vehicle unless the owner has exhausted the administrative remedies provided by this subchapter.

(b) A refund or replacement under this subchapter is not available to a party in an action against a seller under Chapter 2 or 17, Business & Commerce Code, but is available in an action against a manufacturer, converter, or distributor brought under Chapter 17, Business & Commerce Code, after the owner has exhausted the administrative remedies provided by this subchapter.

(c) If the administrative law judge does not issue a proposal for decision and recommend to the director a final order before the 151st day after the date a complaint is filed under this subchapter, the director shall provide written notice by certified mail to the complainant and to the manufacturer, converter, or distributor of the expiration of the 150-day period and of the complainant's right to file a civil action. The board shall extend the 150-day period if a delay is requested or caused by the person who filed the complaint.

(d) Notwithstanding a requirement of this section that administrative remedies be exhausted, a person who receives notice under Subsection (c) may file a civil action against any person named in the complaint.

(e) The failure to issue notice under Subsection (c) does not affect a person's right to bring an action under this chapter.

(f) This subchapter does not limit a right or remedy otherwise available to an owner under another law.

(g) A contractual provision that excludes or modifies a remedy provided by this subchapter is prohibited and is void as against public policy unless the exclusion or modification is made under a settlement agreement between the owner and the manufacturer, converter, or distributor.

**Assessment of Costs for Replacement or Refund**

**Sec. 2301.608.** (a) In an order issued under this subchapter, the director shall name the person responsible for paying the cost of any refund or replacement. A manufacturer, converter, or distributor may not cause a franchised dealer to directly or indirectly pay any money not specifically ordered by the director.

(b) If the director orders a manufacturer, converter, or distributor to make a refund or replace a motor vehicle under this subchapter, the director may order the franchised dealer to reimburse the owner, lienholder, manufacturer, converter, or distributor only for an item or option added to the vehicle by the dealer to the extent that the item or option contributed to the defect that served as the basis for the order.

(c) In a case involving a leased vehicle, the director may terminate the lease and apportion allowances or refunds, including the reasonable allowance for use, between the lessee and lessor of the vehicle.

### Judicial Review

**Sec. 2301.609.** (a) A party to a proceeding before the director under this subchapter that is affected by a final order of the director is entitled to judicial review of the order under the substantial evidence rule in a district court of Travis County.

(b) Judicial review is subject to Chapter 2001, Government Code, to the extent that chapter is not inconsistent with this chapter.

### Disclosure Statement

**Sec. 2301.610.** (a) A manufacturer, distributor, or converter that has been ordered to repurchase or replace a vehicle shall, through its franchised dealer, issue a disclosure statement stating that the vehicle was repurchased or replaced by the manufacturer, distributor, or converter under this subchapter. The statement must accompany the vehicle through the first retail purchase following the issuance of the statement and must include the board's toll-free telephone number that will enable the purchaser to obtain information about the condition or defect that was the basis of the order for repurchase or replacement.

(b) The manufacturer, distributor, or converter must restore the cause of the repurchase or replacement to factory specifications and issue a new 12-month, 12,000-mile warranty on the vehicle.

(c) The board shall adopt rules for the enforcement of this section.

(d) The board shall maintain a toll-free telephone number to provide information to a person who requests information about a condition or defect that was the basis for repurchase or replacement by an order of the director. The board shall maintain an effective method of providing information to a person who makes a request.

### Annual Report on Repurchased or Replaced Vehicles

**Sec. 2301.611.** (a) The board shall publish an annual report on the motor vehicles ordered repurchased or replaced under this subchapter.

(b) The report must list the number of vehicles by brand name and model and include a brief description of the conditions or defects that caused the repurchase or replacement.

(c) The board shall make the report available to the public and may charge a reasonable fee to cover the cost of the report.

### Open Records Exception

**Sec. 2301.612.** Information filed with the board under this subchapter is not a public record and is not subject to release under Chapter 552, Government Code, until the complaint is finally resolved by order of the board.

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**Notice to Buyer**

**Sec. 2301.613.** (a) The board shall prepare, publish, and distribute information concerning an owner's rights under this subchapter. The retail seller of a new motor vehicle shall conspicuously post a copy of the information in the area where its customers usually pay for repairs.

(b) The failure to provide notice as required by this section is a violation of this chapter.

[Sections 2301.614-2301.650 reserved for expansion]

**SUBCHAPTER N. DENIAL, REVOCATION,  
OR SUSPENSION OF LICENSE****Denial, Revocation, or Suspension Generally**

**Sec. 2301.651.** (a) The board may deny an application for a license, revoke or suspend a license, place on probation a person whose license has been suspended, or reprimand a license holder if the applicant or license holder:

(1) is unfit under standards described in this chapter or board rules;

(2) makes a material misrepresentation in any application or other information filed under this chapter or board rules;

(3) violates this chapter or a board rule or order;

(4) violates any law relating to the sale, distribution, financing, or insuring of motor vehicles;

(5) fails to maintain the qualifications for a license;

(6) wilfully defrauds a purchaser;

(7) fails to fulfill a written agreement with a retail purchaser of a motor vehicle; or

(8) violates the requirements of Section 503.0631, Transportation Code.

(b) The board may take action under Subsection (a) against an applicant or license holder for an act or omission by an officer, director, partner, trustee, or other person acting in a representative capacity for the applicant or license holder that would be cause for denying, revoking, or suspending a license under this chapter.

(c) The revocation of a license previously held under this chapter may be grounds for denying a subsequent application for a license.

(d) A license may not be denied, revoked, or suspended, and disciplinary action may not be taken under this subchapter, except on order of the board after a hearing.

**Denial of License Application: Dealership**

**Sec. 2301.652.** (a) The board may deny an application for a license to establish a dealership if, following a protest, the applicant fails to establish good cause for establishing the dealership. In determining good cause, the board shall consider:

- (1) whether the manufacturer or distributor of the same line-make of new motor vehicle is being adequately represented as to sales and service;
- (2) whether the protesting franchised dealer representing the same line-make of new motor vehicle is in substantial compliance with the dealer’s franchise, to the extent that the franchise is not in conflict with this chapter;
- (3) the desirability of a competitive marketplace;
- (4) any harm to the protesting franchised dealer; and
- (5) the public interest.

(b) Except as provided by Subsection (c), a person has standing under this section to protest an application to establish or relocate a dealership if the person filing the protest is a franchised dealer of the same line-make whose dealership is located:

- (1) in the county in which the proposed dealership is to be located;

or

- (2) within a 15-mile radius of the proposed dealership.

(c) A franchised dealer may not protest an application to relocate a dealership under this section if the proposed relocation site is not:

- (1) more than one mile from the site where the dealership is currently located; or
- (2) closer to the franchised dealer than the site from which the dealership is being relocated.

**Revocation or Suspension of Manufacturer’s or Distributor’s License**

**Sec. 2301.653.** The revocation or suspension of a manufacturer’s or distributor’s license may be:

- (1) limited to one or more municipalities or counties or any other defined area; or
- (2) limited in a defined area only as to:
  - (A) certain aspects of the manufacturer’s or distributor’s business;
  - (B) specified franchised dealers.

or

**Probation**

**Sec. 2301.654.** If a suspension of a license is probated, the board may:

- (1) require the license holder to report regularly to the board on matters that are the basis of the probation; or
- (2) limit activities to those prescribed by the board.

[Sections 2301.655-2301.700 reserved for expansion]

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**SUBCHAPTER O. HEARINGS PROCEDURES****Definition**

**Sec. 2301.701.** In this subchapter, “contested case” has the meaning assigned by Section 2001.003, Government Code.

**Conflict With Other Law**

**Sec. 2301.702.** To the extent of a conflict between this chapter and Chapter 2001, Government Code, this chapter controls.

**Limitations Period for Certain Causes of Action by License Holders**

**Sec. 2301.7025.** (a) This section does not apply to:

(1) an action with respect to which this chapter or rules of the board establish specific procedural time limits; or

(2) an action brought under Section 2301.204.

(b) Except as provided by this section, a license holder may not file an action with the board after the fourth anniversary of the date the action accrues.

(c) The limitations period provided by Subsection (b) may be extended for not more than 180 days on a showing that the failure to commence an action in a timely manner was caused by reliance on a fraudulent statement or inducement made by a party to induce a party to refrain from bringing an action.

**Hearing Required in Contested Case**

**Sec. 2301.703.** (a) A hearing shall be conducted in any contested case arising under this chapter or a board rule. The hearing must be conducted in accordance with this chapter, any order, decision, or rule of the board, and Chapter 2001, Government Code.

(b) A hearing may be informally disposed of in accordance with Chapter 2001, Government Code.

**Administrative Law Judge**

**Sec. 2301.704.** (a) A hearing under this subchapter must be held by an administrative law judge of the State Office of Administrative Hearings.

(b) An administrative law judge has all of the board’s power and authority under this chapter to conduct hearings, including the power to:

(1) hold a hearing;

(2) administer an oath;

(3) receive pleadings and evidence;

- (4) issue a subpoena to compel the attendance of a witness;
- (5) compel the production of papers and documents;
- (6) issue an interlocutory order, including a cease and desist order in the nature of a temporary restraining order or a temporary injunction;
- (7) make findings of fact and conclusions of law; and
- (8) issue a proposal for decision and recommend a final order.

### **Notice of Contested Case Hearing**

**Sec. 2301.705.** (a) Notice of a contested case hearing involving a license holder must be given in accordance with this chapter and board rules.

(b) Notice must be given by certified mail, return receipt requested.

(c) Notice may be given to a person's officer, agent, employee, attorney, or other legal representative.

(d) Notice is considered to have been received by a person known to have legal rights, duties, or privileges that may be determined at the hearing if the notice is mailed to the last known address of the person not later than the 10th day before the date of the hearing.

(e) A person may waive notice of a hearing.

### **Notice of Rulemaking Hearing**

**Sec. 2301.706.** Notice of a rulemaking hearing must be given in accordance with Chapter 2001, Government Code, and board rules before the 30th day preceding the date of the hearing.

### **Contents of Hearing Notice**

**Sec. 2301.707.** Notice of a hearing shall describe in summary form the purpose of the hearing and the date, time, and place of the hearing.

### **Conduct of Hearing**

**Sec. 2301.708.** (a) A hearing must be convened at the time and place stated in the notice.

(b) A hearing may be recessed until a time and place certain:

(1) by giving advance notice as required by Section 2001.057, Government Code; or

(2) without advance notice if the time and place is announced openly before the recess.

(c) Except as otherwise provided by this chapter, a person whose legal rights, duties, or privileges are to be determined at a hearing is entitled to:

(1) appear personally or by counsel;

(2) cross-examine adverse witnesses; and

(3) produce evidence and witnesses in the person's own behalf.

**Proposed Decision; Review by Board**

**Sec. 2301.709.** (a) In a contested case, the administrative law judge shall serve on each party a copy of the administrative law judge's proposal for decision and recommended order containing findings of fact and conclusions of law. A party may file exceptions and replies to the board.

(b) In reviewing the case, the board may consider only materials that are submitted timely.

(c) The board may hear such oral argument from any party as the board may allow.

(d) The board shall take any further action conducive to the issuance of a final order and shall issue a written final decision or order. A majority vote of a quorum of the board is required to adopt a final decision or order of the board.

**Dismissal of Complaint**

**Sec. 2301.710.** On the motion of any party, the board, without holding a contested case hearing, may issue a final order dismissing a complaint, protest, or response in accordance with the terms and procedures set forth in Rule 166a, Texas Rules of Civil Procedure, or its successor.

**Orders and Decisions**

**Sec. 2301.711.** (a) An order or decision of the board must:

(1) include a separate finding of fact with respect to each specific issue the board is required by law to consider in reaching a decision;

(2) set forth additional findings of fact and conclusions of law on which the order or decision is based; and

(3) give the reasons for the particular actions taken.

(b) Except as provided by Subchapter M, the order or decision must:

(1) be signed by the presiding officer or assistant presiding officer for the board;

(2) be attested to by the director; and

(3) have the seal affixed to it.

**Filing Fee**

**Sec. 2301.712.** (a) The filing fee for a contested case or a protest that involves a hearing is:

(1) \$35 for a complaint filed under Subchapter M; and

(2) \$200 for any other complaint or protest.

(b) If a person who brings a complaint under Subchapter M prevails in the case, the board shall order the nonprevailing party in the case to reimburse the amount of the filing fee for the case.

## Rehearing

**Sec. 2301.713.** A party who seeks a rehearing of an order shall seek the rehearing in accordance with Chapter 2001, Government Code.

[Sections 2301.714-2301.750 reserved for expansion]

## SUBCHAPTER P. JUDICIAL REVIEW

### Judicial Review Generally

**Sec. 2301.751.** (a) A party to a proceeding affected by a final order, rule, or decision or other final action of the board or director under this chapter or under another law with respect to a matter arising under this chapter may seek judicial review of the action under the substantial evidence rule in:

- (1) a district court in Travis County; or
- (2) the court of appeals for the Third Court of Appeals District.

(b) Except as otherwise provided by this chapter, an appeal brought in a district court may be removed to the court of appeals by any party before trial in the district court on the filing of notice of removal with the district court.

(c) Judicial review by a court, to the extent not in conflict with this chapter, is in the manner provided by Chapter 2001, Government Code. Judicial review in the court of appeals:

- (1) is initiated under Chapter 2001, Government Code, in the manner review is initiated for a proceeding in a district court; and
- (2) is governed by the applicable rules of appellate procedure.

### Time for Filing; Citation

**Sec. 2301.752.** (a) A petition for judicial review under this chapter must be filed not later than the 30th day after the date on which the action, ruling, order, or decision becomes final and appealable.

(b) Citation for an appeal must be served on the director and each party of record in the matter. For an appeal initiated in the court of appeals, the court shall cause the citation to be issued.

### Additional Evidence

**Sec. 2301.753.** An appeal in which evidence outside the record of the board is to be taken under Chapter 2001, Government Code, or otherwise, shall be brought in a district court in Travis County or in the court of appeals. An appeal brought in the court of appeals is subject to remand to a district court in Travis County for proceedings under instructions from the court of appeals.

### Dismissal for Failure to Prosecute

**Sec. 2301.754.** (a) A person filing an appeal under this subchapter shall pursue the appeal with reasonable diligence.

(b) If the person fails to prosecute the appeal within six months after the date the appeal is filed, the court shall presume that the appeal has been abandoned. On the motion of the attorney general or a party in the case, the court shall dismiss the appeal after notifying the person who filed the appeal, unless the person shows good cause for the delay.

### Effect of Appeal on Order

**Sec. 2301.755.** An appeal under this subchapter does not affect the enforcement of a final board order unless:

(1) the enforcement of the order is enjoined under Chapter 65, Civil Practice and Remedies Code, and under principles of primary jurisdiction; or

(2) the board, in the interest of justice, suspends the enforcement of the order pending final determination of the appeal.

### Review of Interlocutory Order

**Sec. 2301.756.** (a) A writ of error is allowed from the supreme court for an appeal of an interlocutory order described by Section 51.014(a)(3) or (6), Civil Practice and Remedies Code, in a civil action involving a license holder.

(b) The supreme court shall give precedence to a writ of error under this section over other writs of error.

(c) The right to appeal by writ of error is without prejudice to the right of any party to seek relief by an application for leave to file a petition for writ of mandamus with respect to the order.

[Sections 2301.757-2301.800 reserved for expansion]

## SUBCHAPTER Q. PENALTIES AND OTHER ENFORCEMENT PROVISIONS

### Civil Penalty

**Sec. 2301.801.** (a) If, after a proceeding under this chapter and board rules, the board determines that a person is violating or has violated this chapter, a rule adopted or order issued under this chapter, or Section 503.038(a), Transportation Code, the board may impose a civil penalty. The amount of the penalty may not exceed \$10,000 for each violation. Each act of violation and each day a violation continues is a separate violation.

(b) In determining the amount of the penalty, the board shall consider:

(1) the seriousness of the violation, including the nature, circumstances, extent, and gravity of any prohibited act, and the harm or potential harm to the safety of the public;

(2) the economic damage to the public caused by the violation;

(3) the history of previous violations;

(4) the amount necessary to deter a future violation;

(5) efforts to correct the violation; and

(6) any other matter that justice may require.

(c) Notwithstanding any other law to the contrary, a civil penalty recovered under this chapter shall be deposited in the state treasury to the credit of the state highway fund.

### Cease and Desist Order

**Sec. 2301.802.** (a) If it appears to the board that a person is violating this chapter or a board rule or order, the board after notice may require the person engaged in the conduct to appear and show cause why a cease and desist order should not be issued prohibiting the conduct described in the notice.

(b) An interlocutory cease and desist order may be granted with or without bond or other undertaking if:

(1) the order is necessary to the performance of the duties delegated to the board by this chapter;

(2) the order is necessary or convenient to maintaining the status quo between two or more adverse parties before the board;

(3) a party before the board is entitled to relief demanded of the board and all or part of the relief requires the restraint of some act prejudicial to the party;

(4) a person is performing, about to perform, or procuring or allowing the performance of an act:

(A) relating to the subject of a contested case pending before the board, in violation of the rights of a party before the board; and

(B) that would tend to render the board's order in the case ineffectual; or

(5) substantial injury to the rights of a person subject to the board's jurisdiction is threatened regardless of any remedy available at law.

(c) A proceeding under this section is governed by:

(1) this chapter and the board's rules; and

(2) Chapter 2001, Government Code, relating to a contested case, to the extent that chapter is not in conflict with Subdivision (1).

(d) An interlocutory cease and desist order remains in effect until vacated or incorporated in a final order of the board. An appeal of an interlocutory cease and desist order must be made to the board before seeking judicial review as provided by this chapter.

(e) A permanent cease and desist order may be issued regardless of the requirements of Subsection (b) but only under the procedures for a final order by

the board under this chapter. An appeal of a permanent cease and desist order is made in the same manner as an appeal of a final order under this chapter.

**Statutory Stay**

**Sec. 2301.803.** (a) On the initiation of a board proceeding, whether by complaint, protest, or otherwise, a person who receives notice from the board of a statutory stay imposed by this chapter may not allow or commit any act or omission that would:

- (1) violate this chapter or any rule, order, or decision of the board;
- (2) affect a legal right, duty, or privilege of any party before the board; or
- (3) tend to render ineffectual a board order in a pending proceeding.

(b) A statutory stay imposed by this chapter remains in effect until vacated or until the proceeding is concluded by a final order or decision.

(c) A person affected by a statutory stay imposed by this chapter may initiate a proceeding before the board to modify, vacate, or clarify the extent and application of the statutory stay.

**Suit for Injunctive Relief or Civil Penalty**

**Sec. 2301.804.** (a) If it appears that a person has violated, is violating, or is threatening to violate this chapter or a board rule or order, the board or the director, if authorized by the board, may cause a suit to be instituted in a court for:

- (1) injunctive relief to restrain the person from committing the violation or threat of violation;
- (2) imposition of a civil penalty; or
- (3) both injunctive relief and a civil penalty.

(b) At the request of the board or the director, if authorized by the board, the attorney general shall bring in the name of the state a suit for an injunction or a civil penalty as described by Subsection (a).

(c) In a suit for injunctive relief under this chapter, the court shall grant, without bond or other undertaking, any prohibitory or mandatory injunction the facts warrant, including a temporary restraining order, temporary injunction, or permanent injunction.

**Relief Under Other Law**

**Sec. 2301.805.** (a) Notwithstanding any other law, including Subchapter E, Chapter 17, Business & Commerce Code, in addition to the other remedies provided by this subchapter, a person may institute an action under Subchapter E, Chapter 17, Business & Commerce Code, or any successor statute to that subchapter, and is entitled to any procedure or remedy under that subchapter, if the person:

(1) has sustained damages as a result of a violation of Sections 2301.351-2301.354 or Section 2301.357; or

(2) is a franchised dealer who has sustained damages as a result of a violation of:

(A) Sections 2301.451-2301.474; or

(B) Subchapter E, Chapter 17, Business & Commerce Code.

(b) In an action brought under this section, and in the interest of judicial economy and efficiency, a judgment entered in the action must give deference to the findings of fact and conclusions of law of the board contained in any final order that is the basis of the action.

(c) In an action brought against a license holder under this section, or for any other type of conduct for which an action may be brought under Subchapter E, Chapter 17, Business & Commerce Code, the \$1,000 limitation contained in Section 17.50(b)(1), Business & Commerce Code, as that provision existed on September 1, 1979, shall be adjusted to reflect a change in the consumer price index after that date. The limitation shall be increased or decreased, as applicable, by an amount equal to 1,000 multiplied by the percentage of increase or decrease in the consumer price index between September 1, 1979, and the time the damages are awarded by final judgment or settlement. In this subsection, “consumer price index” means the National Consumer Price Index For All Urban Consumers, or a substantially similar successor. A court may take judicial notice of that index.

**Board Exempt from Filing Fee**

**Sec. 2301.806.** Notwithstanding the other provisions of this chapter, the board is not required to pay a filing fee when filing a complaint or other enforcement action.

[Sections 2301.807-2301.850 reserved for expansion]

**SUBCHAPTER R. REGULATION OF CERTAIN COMMERCIAL USES OF MOTOR VEHICLES**

**Certain Charges Included in Customer Agreement**

**Sec. 2301.851.** (a) A person required to register under Section 152.065, Tax Code, may include in a customer agreement subject to Subsection (b) a separate charge for the proportionate amount of title fees, registration fees, and property taxes paid in the preceding calendar year on the person’s vehicle fleet.

(b) A person who includes the charge must do so:

(1) on a nondiscriminatory basis; and

(2) in each agreement other than an agreement that is exempt from the tax imposed under Section 152.026, Tax Code. (V.A.C.S. Art. 9026a, Secs. (a), (b).)

**Use or Retention of Salvage Motor Vehicle**

**Sec. 2301.852.** (a) Notwithstanding Section 2301.002, in this section, “certificate of title,” “motor vehicle,” and “owner” have the meanings assigned by Section 501.002, Transportation Code.

(b) An owner required to register under Section 152.065, Tax Code, may not use or retain for use for a usual commercial purpose of the owner a motor vehicle that has been issued a certificate of title under Section 501.100, Transportation Code. (V.A.C.S. Art. 9026b, Secs. (a), (c).)

**Criminal Penalty**

**Sec. 2301.853.** (a) A person commits an offense if the person violates this subchapter.

(b) An offense under this section is a Class A misdemeanor. (V.A.C.S. Art. 9026a, Sec. (c); Art. 9026b, Sec. (b).)

*Subchapter R is effective April 1, 2009.*

**Chapter 2301, Session Law History**

Occ. Code, Ch. 2301 codifies articles 4413(36) and (36a), Texas Revised Civil Statutes. Enacted by Chapter 1421 (HB 2813), Section 5, Acts of the 77th Legislature, Regular Session, 2001, effective June 1, 2003.

Amended by Chapter 85 (HB 850), Acts of the 78th Legislature, Regular Session, 2003, effective September 1, 2003.

Amended by Chapter 503 (HB 1076), Acts of the 78th Legislature, Regular Session, 2003, effective September 1, 2003.

Amended by Chapter 1276 (HB 3507), Acts of the 78th Legislature, Regular Session, 2003, effective September 1, 2003.

Amended by Chapter 281 (HB 2702), Acts of the 79th Legislature, Regular Session, 2005, effective June 14, 2005.

Amended by Chapter 105 (HB 733), Acts of the 80th Legislature, Regular Session, 2007, effective September 1, 2008.

Amended by Chapter 258 (SB 11), Acts of the 80th Legislature, Regular Session,

2007, effective September 1, 2007.

Amended by Chapter 710 (HB 2216), Acts of the 80th Legislature, Regular Session, 2007, effective June 15, 2007.

Amended by Chapter 732 (HB 2651), Acts of the 80th Legislature, Regular Session, 2007, effective September 1, 2007.

Amended by Chapter 885 (HB 2278), Acts of the 80th Legislature, Regular Session, 2007, effective April 1, 2009.

Amended by Chapter 1336 (SB 1786), Acts of the 80th Legislature, Regular Session, 2007, effective September 1, 2007.

Amended by Chapter 1363 (HB 2559), Acts of the 80th Legislature, Regular Session, 2007, effective June 15, 2007.

Amended by Chapter 1403 (HB 3601), Acts of the 80th Legislature, Regular Session, 2007, effective September 1, 2007.





# **TRANSPORTATION CODE**

## **CHAPTER 503. DEALER'S AND MANUFACTURER'S VEHICLE LICENSE PLATES**



**TRANSPORTATION CODE**  
**CHAPTER 503. DEALER'S AND MANUFACTURER'S VEHICLE**  
**LICENSE PLATES**

**SUBCHAPTER A. GENERAL PROVISIONS**

**Definitions**

**Sec. 503.001.** In this chapter

- (1) "Board" has the meaning assigned by Chapter 2301, Occupations Code.
- (2) "Commission" means the Texas Transportation Commission.
- (3) "Converter" has the meaning assigned by Chapter 2301, Occupations Code.
- (4) "Dealer" means a person who regularly and actively buys, sells, or exchanges vehicles at an established and permanent location. The term includes a franchised motor vehicle dealer, an independent motor vehicle dealer, an independent mobility motor vehicle dealer, and a wholesale motor vehicle dealer.
- (5) "Department" means the Texas Department of Transportation.
- (6) "Drive-a-way operator" means a person who transports and delivers a vehicle in this state from the manufacturer or another point of origin to a location in this state using the vehicle's own power or using the full-mount method, the saddle-mount method, the tow-bar method, or a combination of those methods.
- (7) "Franchise" has the meaning assigned by Chapter 2301, Occupations Code.
- (8) "Franchised motor vehicle dealer" means a person engaged in the business of buying, selling, or exchanging new motor vehicles at an established and permanent place of business under a franchise in effect with a motor vehicle manufacturer or distributor.
- (8-a) "Independent mobility motor vehicle dealer" has the meaning assigned by Section 2301.002, Occupations Code.
- (9) "Independent motor vehicle dealer" means a dealer other than a franchised motor vehicle dealer, an independent mobility motor vehicle dealer, or a wholesale motor vehicle dealer.
- (10) "Manufacturer" means a person who manufactures, distributes, or assembles new vehicles.
- (11) "Motorcycle" has the meaning assigned by Section 502.001.
- (12) "Motor vehicle" has the meaning assigned by Section 502.001.
- (13) "Semitrailer" has the meaning assigned by Section 502.001.
- (14) "Trailer" has the meaning assigned by Section 502.001.
- (15) "Vehicle" means a motor vehicle, motorcycle, house trailer, trailer, or semitrailer.

(16) “Wholesale motor vehicle auction” means the offering of a motor vehicle for sale to the highest bidder during a transaction that is one of a series of regular periodic transactions that occur at a permanent location.

(17) “Wholesale motor vehicle dealer” means a dealer who sells motor vehicles only to a person who is:

(A) the holder of a dealer’s general distinguishing number; or

(B) a foreign dealer authorized by a law of this state or interstate reciprocity agreement to purchase a vehicle in this state without remitting the motor vehicle sales tax.

**Rules**

**Sec. 503.002.** The board may adopt rules for the administration of this chapter.

**Display or Sale of Nonmotorized Vehicle or Trailer**

**Sec. 503.003.** This chapter does not prohibit the display or sale of a nonmotorized vehicle or trailer at a regularly scheduled vehicle or boat show with multiple vendors in accordance with commission rules.

**Buying, Selling, Exchanging, or Manufacturing Vehicles**

**Sec. 503.004.** This chapter does not prohibit a person from entering into the business of buying, selling, or exchanging new or used vehicles at wholesale or retail or from manufacturing vehicles.

**Notice of Sale or Transfer**

**Sec. 503.005.** (a) A manufacturer or dealer shall immediately notify the department if the manufacturer or dealer transfers, including by sale or lease, a motor vehicle, trailer, or semitrailer to a person other than a manufacturer or dealer.

(b) The notice must be in writing using the form provided by the department and must include:

(1) the date of the transfer;

(2) the names and addresses of the transferrer and transferee; and

(3) a description of the vehicle.

(c) A dealer who submits information to the database under Section 503.0631 satisfies the requirement for the dealer to notify the department of the sale or transfer of a motor vehicle, trailer, or semitrailer under this section.

(d) The notice required under this section is in addition to the application for vehicle registration and certificate of title a dealer is required to submit under Section 501.0234.

**Notice of Change of Address**

**Sec. 503.006.** A dealer or manufacturer who has been issued dealer's, converter's, or manufacturer's license plates shall notify the department of a change to the dealer's, converter's, or manufacturer's address not later than the 10th day after the date the change occurs.

**Fees for General Distinguishing Number**

**Sec. 503.007.** (a) The fee for an original general distinguishing number is \$500 for the first year and \$200 for each subsequent year for which the number is valid.

(b) The fee for the renewal of a general distinguishing number is \$200 a year.

(c) The registration fee for a drive-a-way in-transit license is \$50 a year.

(d) A fee collected under this section shall be deposited to the credit of the state highway fund.

**Fees for License Plates**

**Sec. 503.008.** (a) The fee for a metal dealer's license plate is \$20 a year.

(b) The fee for a manufacturer's license plate is \$40 a year.

(c) The fee for an additional set of drive-a-way in-transit license plates is \$5 a year.

(d) A fee collected under this section shall be deposited to the credit of the state highway fund.

**Procedure for Certain Contested Cases**

**Sec. 503.009.** (a) The department's Motor Vehicle Board may conduct hearings in contested cases brought under and as provided by this chapter.

(b) The procedures applicable to a hearing conducted under this section are those applicable to a hearing conducted as provided by Section 2301.606(a), Occupations Code.

(c) A decision or final order issued under this section is final and may not be appealed, as a matter of right, to the commission.

(d) The department's Motor Vehicle Board may adopt rules for the procedure, a hearing, or an enforcement proceeding for an action brought under this section.

**Term of General Distinguishing Number, License, or License Plate**

**Sec. 503.010.** Each general distinguishing number, license, or license plate issued under this chapter is valid for the period prescribed by the commission.

**Prorating Fees**

**Sec. 503.011.** If the commission prescribes the term of a general distinguishing number, license, or license plate under this chapter for a period other than one year, the commission shall prorate the applicable annual fee required under this chapter as necessary to reflect the term of the number, license, or license plate.

**Collected Money**

**Sec. 503.012.** Section 403.095, Government Code, does not apply to money received by the department and deposited to the credit of the state highway fund in accordance with this chapter.

[Sections 503.013-503.020 reserved for expansion]

**SUBCHAPTER B. GENERAL DISTINGUISHING NUMBER****Dealer General Distinguishing Number**

**Sec. 503.021.** A person may not engage in business as a dealer, directly or indirectly, including by consignment, without a dealer general distinguishing number in one of the categories described by Section 503.029(a)(6) for each location from which the person conducts business as a dealer.

**Wholesale Motor Vehicle Auction General Distinguishing Number**

**Sec. 503.022.** A person may not engage in the business of conducting a wholesale motor vehicle auction without a wholesale motor vehicle auction general distinguishing number for each location from which the person conducts business.

**Drive-A-Way Operator License**

**Sec. 503.023.** A person may not engage in business as a drive-a-way operator without a drive-a-way in-transit license.

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**Exclusions for Dealer**

**Sec. 503.024.** (a) A person is not required to obtain a dealer general distinguishing number if the person:

(1) sells or offers to sell during a calendar year fewer than five vehicles of the same type that are owned and registered in that person's name; or

(2) is a federal, state, or local governmental agency.

(b) For the purposes of Section 503.021, a person is not engaging in business as a dealer by:

(1) selling or offering to sell a vehicle the person acquired for personal or business use to a person other than a retail buyer if the sale or offer is not made to avoid a requirement of this chapter;

(2) selling, in a manner provided by law for the forced sale of vehicles, a vehicle in which the person holds a security interest;

(3) acting under a court order as a receiver, trustee, administrator, executor, guardian, or other appointed person;

(4) selling a vehicle the person acquired from the vehicle's owner as a result of paying an insurance claim if the person is an insurance company;

(5) selling an antique passenger car or truck that is at least 25 years of age; or

(6) selling a special interest vehicle that is at least 12 years of age if the person is a collector.

(c) For the purposes of Section 503.021, a domiciliary of another state who holds a dealer license and bond, if applicable, issued by the other state is not engaging in business as a dealer by buying a vehicle from, selling a vehicle to, or exchanging a vehicle with a person who:

(1) holds a general distinguishing number issued by the department, if the transaction is not intended to avoid a requirement of this chapter; or

(2) is a domiciliary of another state who holds a dealer license and bond, if applicable, issued by the other state and the transaction is not intended to avoid a requirement of this chapter.

(d) For the purposes of Section 503.021, a licensed auctioneer is not engaging in business as a dealer by, as a bid caller, selling or offering to sell property to the highest bidder at a bona fide auction if:

(1) legal or equitable title does not pass to the auctioneer;

(2) the auction is not held to avoid a requirement of this chapter;

and

(3) for an auction of vehicles owned legally or equitably by a person who holds a general distinguishing number, the auction is conducted at the location for which the general distinguishing number was issued.

(e) In this section, "special interest vehicle" has the meaning assigned by Section 683.077(b).

**Wholesale Motor Vehicle Auction Exception**

**Sec. 503.025.** A person exempt under Section 503.024(d) is not required to obtain a wholesale motor vehicle auction general distinguishing number.

**Requirement for Each Type of Dealer Vehicle**

**Sec. 503.026.** A person must obtain a dealer general distinguishing number for each type of vehicle the person intends to sell.

**Requirements Relating to Dealer Location**

**Sec. 503.027.** (a) If a person consigns for sale more than five vehicles in a calendar year from a location other than the location for which the person holds a wholesale motor vehicle auction general distinguishing number or a dealer general distinguishing number, the location to which the person consigns the vehicles must have a general distinguishing number for that location.

(b) If a person is not otherwise prohibited from doing business as a dealer at more than one location in the territory of a municipality, a person may buy, sell, or exchange a vehicle of the type for which the person holds a dealer general distinguishing number from more than one location in the territory of the municipality without obtaining an additional dealer general distinguishing number. Each location must comply with the requirements prescribed by this chapter and board rules relating to an established and permanent place of business.

**Requirements Relating to Wholesale Motor Vehicle Auction Location**

**Sec. 503.028.** (a) Except as provided by Subsection (b), the department may not issue more than one general distinguishing number for a location for which the wholesale motor vehicle auction general distinguishing number has been issued.

(b) The department may issue to a person who holds a wholesale motor vehicle auction general distinguishing number a dealer general distinguishing number for the location for which the wholesale motor vehicle auction general distinguishing number is issued. The provisions of this subchapter relating to the application for and issuance of a dealer general distinguishing number apply to an application for and issuance of a dealer general distinguishing number issued under this subsection.

**Application for Dealer General Distinguishing Number**

**Sec. 503.029.** (a) An applicant for an original or renewal dealer general distinguishing number must submit to the department a written application on a form that:

- (1) is provided by the department;
- (2) contains the information required by the department;
- (3) contains information that demonstrates the person meets the requirements prescribed by Section 503.032;
- (4) contains information that demonstrates the applicant has complied with all applicable state laws and municipal ordinances;
- (5) states that the applicant agrees to allow the department to examine during working hours the ownership papers for each registered or unregistered vehicle in the applicant's possession or control; and
- (6) specifies whether the applicant proposes to be a:
  - (A) franchised motor vehicle dealer;
  - (B) independent motor vehicle dealer;
  - (C) wholesale motor vehicle dealer;
  - (D) motorcycle dealer;
  - (E) house trailer dealer;
  - (F) trailer or semitrailer dealer; or
  - (G) independent mobility motor vehicle dealer.
- (b) The applicant must swear to the truth of the information contained in the application before an officer authorized to administer oaths.
- (c) A renewal application must be:
  - (1) submitted before the date the general distinguishing number expires; and
  - (2) accompanied by the appropriate fee prescribed by Section 503.007.

**Independent Mobility Motor Vehicle Dealers**

**Sec. 503.0295.** A person who seeks to act as an independent mobility motor vehicle dealer shall provide with each application for a general distinguishing number and each renewal application:

- (1) a written statement that the dealer:
  - (A) shall maintain written records until at least the third anniversary of the date that adaptive work is performed; and
  - (B) agrees to comply with Chapter 469, Government Code; and
- (2) proof that the person:
  - (A) maintains a garagekeeper's insurance policy in an amount of at least \$50,000 and a products-completed operations insurance policy in an amount of at least \$1 million per occurrence and in the aggregate;
  - (B) holds a welder's certification, or that the person's approved subcontractor holds a certificate, that complies with the standards of the American Welding Society Sections D1.1 and D1.3, if the person or subcontractor will perform any structural modifications; and
  - (C) is registered with the National Highway Traffic and Safety Administration.

**Application for Wholesale Motor Vehicle Auction  
General Distinguishing Number**

**Sec. 503.030.** (a) An applicant for an original or renewal wholesale motor vehicle auction general distinguishing number must submit to the department an application that contains:

- (1) the information required by the department;
- (2) information that demonstrates the person meets the requirements prescribed by Section 503.032; and
- (3) information that demonstrates the applicant has complied with all applicable state laws and municipal ordinances.

(b) The applicant must swear to the truth of the information contained in the application.

**Application for Drive-A-Way In-Transit License**

**Sec. 503.031.** (a) An applicant for a drive-a-way in-transit license must submit to the commission an application containing the information required by the commission.

(b) The license application must be accompanied by the registration fee prescribed by Section 503.007(c).

**Established and Permanent Place of Business**

**Sec. 503.032.** (a) An applicant for a dealer general distinguishing number or wholesale motor vehicle auction general distinguishing number must demonstrate that the location for which the applicant requests the number is an established and permanent place of business. A location is considered to be an established and permanent place of business if the applicant:

(1) owns the real property on which the business is situated or has a written lease for the property that has a term of not less than the term of the general distinguishing number;

(2) maintains on the location:

(A) a permanent furnished office that is equipped as required by the department for the sale of the vehicles of the type specified in the application; and

(B) a conspicuous sign with letters at least six inches high showing the name of the applicant's business; and

(3) has sufficient space on the location to display at least five vehicles of the type specified in the application.

(b) An applicant for a general distinguishing number as a wholesale motor vehicle dealer is not required to maintain display space in accordance with Subsection (a)(3).

(c) The applicant must demonstrate that:

(1) the applicant intends to remain regularly and actively engaged in the business specified in the application for a time equal to at least the term of the general distinguishing number at the location specified in the application; and

(2) the applicant or a bona fide employee of the applicant will be  
(A) at the location to buy, sell, lease, or exchange vehicles;

and

(B) available to the public or the department at that location during reasonable and lawful business hours.

**Security Requirement**

**Sec. 503.033.** (a) The department may not issue or renew a motor vehicle dealer general distinguishing number or a wholesale motor vehicle auction general distinguishing number unless the applicant provides to the department:

(1) satisfactory proof that the applicant has purchased a properly executed surety bond in the amount of \$25,000 with a good and sufficient surety approved by the department; or

(2) other security under Subsection (c).

(b) The surety bond must be:

(1) in a form approved by the attorney general;

(2) conditioned on:

(A) the payment by the applicant of all valid bank drafts, including checks, drawn by the applicant to buy motor vehicles; and

(B) the transfer by the applicant of good title to each motor vehicle the applicant offers for sale.

(c) In lieu of the surety bond, the department may accept and receive for the surety obligation:

(1) a pledge of cash;

(2) a cash deposit;

(3) a certificate of deposit; or

(4) another instrument the department determines to be adequate security.

(d) A person may recover against a surety bond or other security if the person obtains against a person issued a motor vehicle dealer general distinguishing number or a wholesale motor vehicle auction general distinguishing number a judgment assessing damages and reasonable attorney's fees based on an act or omission on which the bond is conditioned that occurred during the term for which the general distinguishing number was valid.

(e) The liability imposed on a surety is limited to:

(1) the amount:

(A) of the valid bank drafts, including checks, drawn by the applicant to buy motor vehicles; or

(B) paid to the applicant for a motor vehicle for which the applicant did not deliver good title; and

(2) attorney’s fees that are incurred in the recovery of the judgment and that are reasonable in relation to the work performed.

(f) The liability of a surety may not exceed the face value of the surety bond. A surety is not liable for successive claims in excess of the bond amount regardless of the number of claims made against the bond or the number of years the bond remains in force.

(g) This section does not apply to a person licensed as a franchised motor vehicle dealer by the department’s Motor Vehicle Board.

**Issuance and Renewal or Denial of Dealer or Wholesale Motor Vehicle Auction General Distinguishing Number**

**Sec. 503.034.** (a) The department shall deny an application for the issuance or renewal of a dealer general distinguishing number or a wholesale motor vehicle auction general distinguishing number if the department is satisfied from the application or from other information before it that:

(1) information in the application is not true; or

(2) the applicant is guilty of conduct that would result in the cancellation of the general distinguishing number under Section 503.038.

(b) The department may not issue a dealer general distinguishing number until the applicant complies with the requirements of this chapter.

**Issuance and Renewal of Drive-A-Way In-Transit License**

**Sec. 503.035.** The department shall issue to an applicant on the filing of the application and the payment of the fee a drive-a-way in-transit license and in-transit license plates.

**Reassignment of Evidence of Ownership; Dealer Categories**

**Sec. 503.036.** (a) The holder of a franchised motor vehicle dealer’s general distinguishing number may buy, sell, or exchange new or used motor vehicles and reassign a manufacturer’s certificate of origin, certificate of title, or other basic evidence of ownership of any type of vehicle owned by the dealer that the dealer is not otherwise prohibited by law from selling or offering for sale.

(b) The holder of an independent motor vehicle dealer’s general distinguishing number or an independent mobility motor vehicle dealer’s general distinguishing number may reassign a certificate of title or other basic evidence of ownership of any type of vehicle owned by the dealer that the dealer is not otherwise prohibited by law from selling or offering for sale.

(c) The holder of a wholesale motor vehicle dealer’s general distinguishing number may sell or offer to sell motor vehicles to no person except:

(1) a person who holds a general distinguishing number; or

(2) a person who is legally recognized as and duly licensed or otherwise qualified as a dealer under the laws of another state or foreign jurisdiction.

**Rights of Wholesale Motor Vehicle Auction**

**Sec. 503.037.** (a) A person who holds a wholesale motor vehicle auction general distinguishing number may accept on consignment one or more motor vehicles to auction. The person may offer a motor vehicle for sale only at the location for which the general distinguishing number is issued and only by bid to the highest bidder. The title to a motor vehicle may be in the name in which the general distinguishing number is issued.

(b) Except as provided by Subsection (d), a person who holds a wholesale motor vehicle auction general distinguishing number may not sell a motor vehicle to a person other than a person who:

(1) is a dealer; or

(2) has a license and, if applicable, a bond issued by the appropriate authority of another state or nation.

(c) A person who holds a wholesale motor vehicle auction general distinguishing number may not allow another person to use the auction's facilities or general distinguishing number to sell or auction a motor vehicle.

(d) Subsection (b) does not prohibit a person who holds a wholesale motor vehicle auction general distinguishing number from offering for sale a motor vehicle to a person who is not a dealer or who does not have a license issued by the appropriate authority of another state, if the motor vehicle is owned by:

(1) this state or a department, agency, or subdivision of this state;

or

(2) the United States.

**Cancellation of General Distinguishing Number**

**Sec. 503.038.** (a) The department may cancel a dealer's general distinguishing number if the dealer:

(1) falsifies or forges a title document, including an affidavit making application for a certified copy of a title;

(2) files a false or forged tax document, including a sales tax affidavit;

(3) fails to take assignment of any basic evidence of ownership, including a certificate of title or manufacturer's certificate, for a vehicle the dealer acquires;

(4) fails to assign any basic evidence of ownership, including a certificate of title or manufacturer's certificate, for a vehicle the dealer sells;

(5) uses or permits the use of a metal dealer's license plate or a dealer's temporary cardboard tag on a vehicle that the dealer does not own or control or that is not in stock and offered for sale;

(6) makes a material misrepresentation in an application or other information filed with the department;

(7) fails to maintain the qualifications for a general distinguishing number;

(8) fails to provide to the department within 30 days after the date of demand by the department satisfactory and reasonable evidence that the person is regularly and actively engaged in business as a wholesale or retail dealer;

(9) has been licensed for at least 12 months and has not assigned at least five vehicles during the previous 12-month period;

(10) has failed to demonstrate compliance with Sections 23.12, 23.121, and 23.122, Tax Code;

(11) uses or allows the use of the dealer’s general distinguishing number or the location for which the general distinguishing number is issued to avoid the requirements of this chapter;

(12) misuses or allows the misuse of a temporary cardboard tag authorized under this chapter;

(13) refuses to show on a buyer’s temporary cardboard tag the date of sale or other reasonable information required by the department; or

(14) otherwise violates this chapter or a rule adopted under this chapter.

(b) The department shall cancel a dealer’s general distinguishing number if the dealer obtains the number by submitting false or misleading information.

(c) A person whose general distinguishing number is canceled under this chapter shall surrender to a representative of the department each license, license plate, temporary cardboard tag, sticker, and receipt issued under this chapter not later than the 10th day after the date the general distinguishing number is canceled. The department shall direct any peace officer to secure and return to the department any plate, tag, sticker, or receipt of a person who does not comply with this subsection.

(d) A person whose general distinguishing number is canceled automatically loses any benefits and privileges afforded under Chapter 501 to the person as a dealer.

**Public Motor Vehicle Auctions**

**Sec. 503.039.** A motor vehicle may not be the subject of a subsequent sale at an auction by a holder of a dealer’s general distinguishing number unless:

(1) equitable or legal title passes to the holder of a dealer’s general distinguishing number before a transfer of title to the buyer; and

(2) the holder of a dealer’s general distinguishing number transfers the certificate of title to the buyer before the 21st day after the date of the sale.

[Sections 503.040-503.060 reserved for expansion]

**SUBCHAPTER C. LICENSE PLATES AND TAGS****Dealer's License Plates**

**Sec. 503.061.** (a) Instead of registering under Chapter 502 a vehicle that the dealer owns, operates, or permits to be operated on a public street or highway, the dealer may apply for, receive, and attach metal dealer's license plates to the vehicle if it is the type of vehicle:

- (1) that the dealer sells; and
- (2) for which the dealer has been issued a general distinguishing

number.

(b) The board may adopt rules regulating the issuance and use of a license plate issued pursuant to the terms of this section.

**Personalized Prestige Dealer's License Plates**

**Sec. 503.0615.** (a) The department shall establish and issue personalized prestige dealer's license plates. The department may not issue identically lettered or numbered dealer's plates to more than one dealer.

(b) The department shall establish procedures for continuous application for and issuance of personalized prestige dealer's license plates. A dealer must make a new application and pay a new fee for each registration period for which the dealer seeks to obtain personalized prestige dealer's license plates. A dealer who obtains personalized prestige dealer's license plates has first priority on those plates for each subsequent registration period for which the dealer applies.

(c) The annual fee for personalized prestige dealer's license plates is \$40, in addition to any fee otherwise prescribed by this chapter.

(d) The department may issue to an applicant only one set of personalized prestige dealer's license plates for a vehicle for a six-year period. The department may issue a new set of personalized prestige dealer's license plates within the six-year period if the applicant pays a fee of \$50 in addition to the fees required by Subsection (c).

(e) On application and payment of the required fee for a registration period following the issuance of the plates, the department shall issue a registration insignia.

(f) Of each fee collected by the department under this section:

(1) \$1.25 shall be deposited to the credit of the state highway fund to defray the cost of administering this section; and

(2) the remainder shall be deposited to the credit of the general revenue fund.

*[Section 503.0615 is administered by the Vehicle Titles and Registration Division of the Texas Department of Transportation. Dealers who desire to obtain personalized prestige dealer's license plates should contact the local tax assessor-collector.]*

**Converter's License Plates**

**Sec. 503.0618.** (a) In this section, “converter” means a person who holds a converter’s license issued under Chapter 2301, Occupations Code.

(b) Instead of registering under Chapter 502 a vehicle that a converter operates or permits to be operated on a public street or highway, the converter may apply for, receive, and attach metal converter’s license plates to the vehicle if it is the type of vehicle that the converter is engaged in the business of assembling or modifying.

(c) The fee for a metal converter’s license plate is \$20 a year.

(d) The department shall prescribe the form of an application under this section.

**Dealer's Temporary Cardboard Tags**

**Sec. 503.062.** (a) A dealer may issue a temporary cardboard tag for use on an unregistered vehicle by the dealer or the dealer’s employees only to:

(1) demonstrate or cause to be demonstrated to a prospective buyer the vehicle for sale purposes only;

(2) convey or cause to be conveyed the vehicle:

(A) from one of the dealer’s places of business in this state to another of the dealer’s places of business in this state;

(B) from the dealer’s place of business to a place the vehicle is to be repaired, reconditioned, or serviced;

(C) from the state line or a location in this state where the vehicle is unloaded to the dealer’s place of business;

(D) from the dealer’s place of business to a place of business of another dealer;

(E) from the point of purchase by the dealer to the dealer’s place of business; or

(F) to road test the vehicle; or

(3) use the vehicle for or allow its use by a charitable organization.

(b) Subsection (a)(1) does not prohibit a dealer from permitting a prospective buyer to operate a vehicle while the vehicle is being demonstrated.

(c) A vehicle being conveyed under this section is exempt from the inspection requirements of Chapter 548.

(d) The department may not issue a dealer temporary cardboard tag or contract for the issuance of a dealer temporary cardboard tag but shall prescribe:

(1) the specifications, form, and color of a dealer temporary cardboard tag;

(2) procedures for a dealer to generate a vehicle-specific number using the database developed under Section 503.0626 and assign it to each tag;

(3) procedures to clearly display the vehicle-specific number on the tag; and

(4) the period for which a tag may be used for or by a charitable organization.

(e) For purposes of this section, “charitable organization” means an organization organized to relieve poverty, to advance education, religion, or science, to promote health, governmental, or municipal purposes, or for other purposes beneficial to the community without financial gain.

**Converter’s Temporary Cardboard Tags**

**Sec. 503.0625.** (a) In this section, “converter” means a person who holds a converter’s license issued under Chapter 2301, Occupations Code.

(b) A converter may issue a temporary cardboard tag for use on an unregistered vehicle by the converter or the converter’s employees only to:

(1) demonstrate or cause to be demonstrated to a prospective buyer who is an employee of a franchised motor vehicle dealer the vehicle; or

(2) convey or cause to be conveyed the vehicle:

(A) from one of the converter’s places of business in this state to another of the converter’s places of business in this state;

(B) from the converter’s place of business to a place the vehicle is to be assembled, repaired, reconditioned, modified, or serviced;

(C) from the state line or a location in this state where the vehicle is unloaded to the converter’s place of business;

(D) from the converter’s place of business to a place of business of a franchised motor vehicle dealer; or

(E) to road test the vehicle.

(c) Subsection (b)(1) does not prohibit a converter from permitting a prospective buyer who is an employee of a franchised motor vehicle dealer to operate a vehicle while the vehicle is being demonstrated.

(d) A vehicle being conveyed while displaying a temporary tag issued under this section is exempt from the inspection requirements of Chapter 548.

(e) The department may not issue a converter temporary cardboard tag or contract for the issuance of a converter temporary cardboard tag but shall prescribe:

(1) the specifications, form, and color of a converter temporary cardboard tag;

(2) procedures for a converter to generate a vehicle-specific number using the database developed under Section 503.0626 and assign it to each tag; and

(3) procedures to clearly display the vehicle-specific number on the tag.

(f) A converter or employee of a converter may not use a temporary cardboard tag issued under this section as authorization to operate a vehicle for the converter’s or the employee’s personal use.

**Dealer's and Converter's Temporary Tag Database**

**Sec. 503.0626.** (a) The department shall develop and maintain a secure, real-time database of information on vehicles to which dealers and converters have affixed temporary cardboard tags. The database shall be managed by the motor vehicle titles and registration division of the department.

(b) The database must allow law enforcement agencies to use the vehicle-specific number assigned to and displayed on the tag as required by Section 503.062(d) or Section 503.0625(e) to obtain information about the dealer or converter that owns the vehicle.

(c) Before a dealer's or converter's temporary cardboard tag may be displayed on a vehicle, the dealer or converter must enter into the database through the Internet information on the vehicle and information about the dealer or converter as prescribed by the department. The department may not deny access to the database to any dealer who holds a general distinguishing number issued under this chapter or who is licensed under Chapter 2301, Occupations Code, or to any converter licensed under Chapter 2301, Occupations Code.

(d) The department shall adopt rules and prescribe procedures as necessary to implement this section.

**Buyer's Temporary Cardboard Tags**

**Sec. 503.063.** (a) Except as provided by this section, a dealer shall issue to a person who buys a vehicle one temporary cardboard buyer's tag for the vehicle.

(b) Except as provided by this section, the buyer's tag is valid for the operation of the vehicle until the earlier of:

- (1) the date on which the vehicle is registered; or
- (2) the 21st day after the date of purchase.

(c) The dealer:

- (1) must show in ink on the buyer's tag the actual date of sale and any other required information; and
- (2) is responsible for displaying the tag.

(d) The dealer is responsible for the safekeeping and distribution of each buyer's tag the dealer obtains.

(e) The department may not issue a buyer's tag or contract for the issuance of a buyer's tag but shall prescribe:

- (1) the specifications, color, and form of a buyer's tag; and
- (2) procedures for a dealer to:

(A) generate a vehicle-specific number using the database developed under Section 503.0631 and assign it to each tag;

(B) generate a vehicle-specific number using the database developed under Section 503.0631 for future use for when a dealer is unable to access the Internet at the time of sale; and

(C) clearly display the vehicle-specific number on the tag.

(f) The department shall ensure that a dealer may generate in advance a sufficient amount of vehicle-specific numbers under Subsection (e)(2)(B) in order to continue selling vehicles for a period of up to one week in which a dealer is unable to access the Internet due to an emergency. The department shall establish an expedited procedure to allow affected dealers to apply for additional vehicle-specific numbers so they may remain in business during an emergency.

(g) Using the same vehicle-specific number generated under Subsection (e)(2)(A), a dealer may issue an additional temporary cardboard buyer's tag to a person after the expiration of 20 working days after the issue of a temporary cardboard buyer's tag, and the person may operate the vehicle for which the tag was issued on the additional temporary cardboard buyer's tag if the dealer has been unable to obtain on behalf of the vehicle's owner the necessary documents to obtain permanent metal license plates because the documents are in the possession of a lienholder who has not complied with the terms of Section 501.115(a). An additional tag issued under the terms of this subsection is valid for a maximum of 20 working days after the date of issue.

(h) For each buyer's temporary cardboard tag other than an additional temporary cardboard buyer's tag under Subsection (g), a dealer shall charge the buyer a registration fee of not more than \$5 as prescribed by the department to be sent to the comptroller for deposit to the credit of the state highway fund.

### **Buyer's Temporary Tag Database**

**Sec. 503.0631.** (a) The department shall develop and maintain a secure, real-time database of information on persons to whom temporary buyer's tags are issued that may be used by a law enforcement agency in the same manner that the agency uses vehicle registration information. The database shall be managed by the motor vehicle titles and registration division of the department.

(b) The database must allow law enforcement agencies to use a vehicle-specific number assigned to and displayed on the tag as required by Section 503.063(e)(2) to obtain information about the person to whom the tag was issued.

(c) Except as provided by Subsection (d), before a buyer's temporary cardboard tag may be displayed on a vehicle, a dealer must enter into the database through the Internet information about the buyer of the vehicle for which the tag was issued as prescribed by the department and generate a vehicle-specific number for the tag as required by Section 503.063(e). The department may not deny access to the database to any dealer who holds a general distinguishing number issued under this chapter or who is licensed under Chapter 2301, Occupations Code.

(d) A dealer shall obtain 24-hour Internet access at its place of business, but if the dealer is unable to access the Internet at the time of the sale of a vehicle, the dealer shall complete and sign a form, as prescribed by the department, that states the dealer has Internet access, but was unable to access the Internet at the

time of sale. The buyer shall keep the original copy of the form in the vehicle until the vehicle is registered to the buyer. Not later than the next business day after the time of sale, the dealer shall submit the information required under Subsection (c).

(e) The department shall adopt rules and prescribe procedures as necessary to implement this section.

(f) The dealer may charge a reasonable fee not to exceed \$20 for costs associated with complying with this section.

### Notice to Buyer

**Sec. 503.0632.** (a) Each dealer shall provide a one-page written notice to a buyer that explains:

(1) the requirements of the law regarding a buyer's temporary cardboard tag;

(2) any criminal penalties relating to a buyer's temporary cardboard tag;

(3) any action the buyer is required to take concerning a buyer's temporary cardboard tag; and

(4) any other information related to the process of purchasing and registering a vehicle as prescribed by the department.

(b) The dealer shall require the buyer to sign a statement indicating the buyer received the notice under this section.

(c) The department shall adopt rules to:

(1) prescribe the specifications and form of the written notice and statement used under this section; and

(2) establish a procedure to determine dealer compliance with this section.

### Manufacturer's License Plates

**Sec. 503.064.** (a) Instead of registering a new vehicle that a manufacturer intends to test on a public street or highway or to loan to a consumer for the purpose described by Section 2301.605, Occupations Code, the manufacturer may apply for, receive, and attach manufacturer's license plates to the vehicle.

(b) If the vehicle to which the manufacturer's license plates are attached is a commercial motor vehicle, the vehicle may not carry a load.

### Buyer's Out-of-State License Plates

**Sec. 503.065.** (a) The department may issue or cause to be issued to a person a temporary license plate made of cardboard or similar material authorizing the person to operate a new unregistered vehicle on a public highway of this state if the person:

(1) buys the vehicle from a dealer outside this state and intends to drive the vehicle from the dealer's place of business; or

(2) buys the vehicle from a dealer in this state but intends to drive the vehicle from the manufacturer's place of business outside this state.

(b) The department may not issue a temporary license plate under this section to a manufacturer or dealer of a motor vehicle, trailer, or semitrailer or to a representative of such a dealer.

(c) A person may not use a temporary license plate issued under this section on a vehicle transporting property.

(d) A temporary license plate issued under this section expires not later than the 30th day after the date on which it is issued. The department shall place or cause to be placed on the license plate at the time of issuance the date of expiration and the type of vehicle for which the license plate is issued.

(e) The fee for a temporary license plate issued under this section is \$3. Only one license plate may be issued for each vehicle.

**Application for Dealer's or Manufacturer's License Plates**

**Sec. 503.066.** (a) An applicant for one or more original or renewal dealer's or manufacturer's license plates must submit to the department a written application on a form that:

(1) is provided by the department; and

(2) contains a statement that the applicant agrees to allow the department to examine during working hours the ownership papers for each registered or unregistered vehicle in the applicant's possession or control.

(b) The applicant must swear to the truth of the information contained in the application before an officer authorized to administer oaths.

(c) An application must be:

(1) submitted before the date the plate expires; and

(2) accompanied by the appropriate fee prescribed by Section 503.008.

(d) A metal license plate issued under this chapter expires on the same date as the expiration of the license under which it is issued.

**Unauthorized Reproduction, Purchase, Use, or Sale of Temporary Cardboard Tags**

**Sec. 503.067.** (a) A person may not produce or reproduce a temporary cardboard tag or an item represented to be a temporary cardboard tag for the purpose of distributing the tag to someone other than a dealer or converter.

(b) A person may not operate a vehicle that displays an unauthorized temporary cardboard tag.

(c) A person other than a dealer or converter may not purchase a temporary cardboard tag.

(d) A person may not sell or distribute a temporary cardboard tag or an item represented to be a temporary cardboard tag unless the person is:

(1) a dealer issuing the tag in connection with the sale of a vehicle;

or

(2) a printer or distributor engaged in the business of selling temporary cardboard tags solely for uses authorized under this chapter.

### **Limitation on Use of Dealer's License Plates and Tags**

**Sec. 503.068.** (a) A dealer or an employee of a dealer may not use a dealer's temporary cardboard tag as authorization to operate a vehicle for the dealer's or the employee's personal use.

(b) A person may not use a metal dealer's license plate or dealer's temporary cardboard tag on:

(1) a service or work vehicle; or

(2) a commercial vehicle that is carrying a load.

(c) For purposes of this section, a boat trailer carrying a boat is not a commercial vehicle carrying a load. A dealer complying with this chapter may affix to the rear of a boat trailer the dealer owns or sells a metal dealer's license plate or temporary cardboard tag issued under Section 503.061, 503.062, or 503.063.

(d) This section does not prohibit the operation or conveyance of an unregistered vehicle using the full-mount method, saddle-mount method, tow-bar method, or a combination of those methods in accordance with Section 503.062 or 503.063.

### **Display of License Plates and Tags**

**Sec. 503.069.** (a) A license plate, other than an in-transit license plate, or a temporary cardboard tag issued under this chapter shall be displayed in accordance with board rules.

(b) A drive-a-way operator who has been issued a drive-a-way in-transit license shall display the operator's in-transit license plates on each transported motor vehicle from the vehicle's point of origin to its point of destination in this state in accordance with the laws relating to the operation of a vehicle on a public highway.

### **Removal of Out-of-State License Plates**

**Sec. 503.070.** (a) A dealer who purchases a vehicle that displays an out-of-state license plate must remove the plate within a reasonable time.

(b) A dealer who purchases a vehicle for resale may not operate the vehicle on a public street or highway in this state while the vehicle displays an out-of-state license plate.

**Notice of Driving or Towing From Out-of-State**

**Sec. 503.071.** (a) A motor vehicle that is manufactured outside this state and is driven or towed from the place of manufacture to this state for sale in this state must have affixed to it a sticker stating that the vehicle is being driven or towed from the place it was manufactured.

(b) The sticker must be at least three inches in diameter and must be affixed to the windshield or front of the motor vehicle in plain view.

(c) The sticker must remain on the motor vehicle until the vehicle is sold by a dealer.

[Sections 503.072-503.090 reserved for expansion]

**SUBCHAPTER D. ENFORCEMENT**

**Enforcement Agreement**

**Sec. 503.091.** The department may agree with an authorized official of another jurisdiction to regulate activities and exchange information relating to the wholesale operations of nonresident vehicle dealers.

**Action to Enforce Chapter**

**Sec. 503.092.** (a) The attorney general or a district, county, or city attorney may enforce this chapter and bring an enforcement action in the county in which a violation of this chapter is alleged to have occurred.

(b) A justice or municipal court has concurrent original jurisdiction with the county court or a county court at law over an action to enforce this chapter.

**Action to Enforce Subchapter**

**Sec. 503.093.** (a) The department or any interested person may bring an action, including an action for an injunction, to:

(1) enforce a provision of Subchapter B; or

(2) prohibit a person from operating in violation of the person's application for a general distinguishing number.

(b) A plaintiff other than the department may recover the plaintiff's attorney's fees.

**Criminal Penalty**

**Sec. 503.094.** (a) A person commits an offense if the person violates this chapter.

(b) Except as otherwise provided by this section, an offense under this section is a misdemeanor punishable by a fine of not less than \$50 or more than \$5,000.

(c) If the trier of fact finds that the person committed the violation wilfully or with conscious indifference to law, the court may treble the fine otherwise due as a penalty for the violation.

(d) An offense involving a violation of:

(1) Section 503.067(b) or (c) is a Class C misdemeanor;

(2) Section 503.067(d) is a Class A misdemeanor;

(3) Section 503.067(a) is a state jail felony; and

(4) Section 503.067(b), (c), or (d) is a state jail felony if the person who committed the offense criminally conspired to engage in organized criminal activity.

### Civil Penalty

**Sec. 503.095.** (a) In addition to any other penalty prescribed by this chapter, a person who violates this chapter or a rule adopted under this chapter is subject to a civil penalty of not less than \$50 or more than \$1,000.

(b) For purposes of this section, each act in violation of this chapter and each day of a continuing violation is a separate violation.