

Motor Vehicle Division Informational Memo # 18-10
2018 Legislation – Final Stage Motor Vehicle Manufacturers

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FROM: Sara Siedsma, Compliance Officer, MVD

TO: All Office of Vehicle & Motor Carrier Services (OV&MCS) staff, Bureau of Investigation & Identity staff, Iowa County Treasurers and County Treasurers' staff.

SUBJECT

This informational memo explains legislation enacted during the 2018 legislative session regarding final stage motor vehicle manufacturers.

SUMMARY

Senate File 2262 amended Iowa Code sections 321.1 and 322.2 to provide that “manufacturer” includes a final stage motor vehicle manufacturer and defines “final stage manufacturer” to mean a person who performs such manufacturing operations on an incomplete motor vehicle that it becomes a completed motor vehicle. The legislation exempts a final stage manufacturer of multi-stage manufactured vehicles from the prohibition against manufacturers holding a dealer license, provided the vehicle being manufactured is a multi-stage vehicle. The legislation allows final stage manufacturers of multi-stage vehicles, holding either a new or used motor vehicle dealer’s license, to assign an incomplete motor vehicle manufacturer’s statement of origin (MSO) to a retail buyer for purposes of issuance of a certificate of title by a county treasurer as a new motor vehicle which may have the same make as the incomplete motor vehicle, without holding a new motor vehicle dealer license and without paying any associated new motor vehicle dealer registration fees. This essentially allows the first certificate of title to be issued to the consumer rather than the final-stage manufacturer. **The legislation is effective July 1, 2018.**

LINK TO LEGISLATION

2018 Iowa Acts, Senate File 2262:

<https://www.legis.iowa.gov/docs/publications/LGE/87/SF2262.pdf>

CURRENT

Under current law, a motor vehicle manufacturer is prohibited from holding a motor vehicle dealer’s license with certain exceptions.

NEW

The new legislation provides that final stage manufacturers of multi-stage motor vehicles are now exempted from the prohibition against holding a dealer’s license. The bill also allows the final stage manufacturer, who is either holds a used or new dealer license, the ability to assign an incomplete motor vehicle manufacturer’s

statement of origin (MSO) to a retail buyer for purposes of issuance of a certificate of title by a county treasurer as a new motor vehicle, which may have the same make as the incomplete motor vehicle.

BUSINESS IMPACT

This legislation requires us to update our processes and administrative rules related to dealers, specifically requiring the creation of a new dealer license type for a final stage manufacturer (FSM) that is also licensed as a dealer. The legislation will also require us to accept an assigned MSO from an FSM/dealer for the purposes of issuing a certificate of title.

HELPFUL QUESTIONS AND ANSWERS

The following questions and answers provide additional information that will be helpful to you and to customers.

WILL A FINAL STAGE MANUFACTURER BE REQUIRED TO HAVE A LICENSE ISSUED BY DOT BEFORE THEY MAY SELL A MULTI-STAGE MANUFACTURED VEHICLE?

Yes, a final stage manufacturer must be issued an FSM/dealer license from the DOT before it may sell its multi-stage manufactured vehicles to a retail buyer. The FSM/dealer applicant must fill out the current dealer application (Form 417108), and will need to check the newly added “Final stage manufactured vehicles” checkbox added to section 5, as well as the new “Final Stage Manufacturer-Dealer” addendum (Form 417100). The FSM/dealer application will be available on July 1, 2018.

WILL AN APPLICANT FOR AN FSM/DEALER LICENSE BE REQUIRED TO COMPLY WITH THE REQUIREMENTS IN IOWA CODE CHAPTER 322?

Yes, an FSM/dealer applicant must meet and comply with the requirements of a dealer license under Iowa Code chapter 322, including the following:

- The FSM/dealer must have a display area.
- The FSM/dealer must have a repair area.
- The FSM/dealer must maintain regular business hours.
- The FSM/dealer must have proof of proper zoning.
- The FSM/dealer must carry a \$75,000 bond and business liability insurance.
- The FSM dealer must complete 8 hours of initial dealer education and 5 hours of ongoing education, unless the dealer is currently licensed with a franchise or has already completed the required dealer education.
- The business location of the FSM/dealer is subject to an onsite inspection.
- The FSM/dealer must identify what line-makes it intends to sell.
- The FSM/dealer license fee will be consistent.
- The FSM/dealer will be entitled to use dealer plates.

WILL ARTS PROGRAMMING BE CHANGED TO ACCOMMODATE THE NEW FSM/DEALER LICENSE CATEGORY?

Yes, ARTS programming will allow an FSM/dealer to reassign the MSO of a new vehicle, which has gone through final-stage manufacturing, without holding a franchise.

WHAT MIGHT A COUNTY TREASURER EXPECT TO ENCOUNTER WHEN TITLING A MUTLI-STAGE MANUFACTURED VEHICLE?

An FSM/dealer has the ability to reassign the MSO of the multi-stage manufactured vehicle to a retail buyer, so that the buyer may obtain title to the vehicle. The MSO may contain the same make as the incomplete motor vehicle, allowing the vehicle to be titled as the same make as the incomplete motor vehicle. Essentially, if an FSM/dealer acquires an incomplete Ford F-150, then puts it through final-stage manufacturing, that multi-stage manufactured vehicle can be titled as a Ford F-150. This is a new concept, so please be aware that if you are presented with an unusual title request, it may be from an FSM/dealer.

HOW WILL WE RECOGNIZE AN FSM/DEALER?

Similar to the process for when a new decal for a decal license plate is approved, OV&MCS will send an email to the county treasurer distribution list announcing that a new FSM/dealer license has been issued with the appropriate details. OV&MCS will also add the FSM/dealers to the list of active/revoked/suspended dealers already maintained on the DOT website.

HOW WILL WE KNOW WHAT VEHICLE MAKES AN FSM/DEALER INTENDS TO SELL?

The legislation does not limit the vehicle make that an FSM/Dealer may sell as long as it qualifies as a multi-stage manufactured vehicle and the FSM qualifies as an FSM/dealer. In many instances the FSM/dealer may acquire a specific make of incomplete vehicle per the specifications of the specific customer, and would not necessarily specialize in completing final-stage manufacturing on one or two specific vehicle makes. Therefore, rather than focusing on the vehicle make associated with the FSM/dealer, you will instead want to familiarize yourself with the list of licensed FSM/dealers and expect to potentially see a variety of vehicle makes when the title request comes through.

WHEN MIGHT A COUNTY TREASURER EXPECT TO SEE ONE OF THESE TRANSACTIONS?

An FSM/dealer applicant will not be able to apply for the license until July 1, 2018, so the first title request under this new process should not happen until after that. If the ARTS programming described above is not ready by the time the first FSM/dealer assigned MSO comes in, there will be an edit that will allow central office OV&MCS staff to approve the transaction.

MAY AN FSM/DEALER SELL VEHICLES OTHER THAN THOSE IT MANUFACTURES?

Yes, an FSM holding this license may sell, in addition to its own vehicles that it manufactures, other new and used vehicles. If the FSM wishes to sell new vehicles that it has not manufactured, it must be properly franchised by the line-make manufacturer in the same manner as other dealers.

DOES AN FSM ALREADY HAVE TO COMPLY WITH FEDERAL NATIONAL HIGHWAY TRAFFIC SAFETY (NHTSA) REGULATIONS AND REPORTING REQUIREMENTS?

Yes, an FSM must already be compliant with federal regulations in 49 CFR Part 567, and the FSM/dealer will certify on the FSM/dealer addendum that they comply with the federal requirements and meet the definition of a final-stage manufacturer both in federal regulations and Iowa Code. An FSM/dealer must also provide its Iowa manufacturer license number.