



HOUSE BILL 406: Clarify Motor Vehicle Dealer Laws.

2025-2026 General Assembly

Committee:	House Transportation. If favorable, re-refer to Rules, Calendar, and Operations of the House	Date:	April 9, 2025
Introduced by:	Reps. B. Jones, Tyson, Ross	Prepared by:	Wendy Ray
Analysis of:	PCS to First Edition H406-CSSU-4		Staff Attorney

OVERVIEW: *The Proposed Committee Substitute (PCS) for House Bill 406 would make the following changes to North Carolina's Motor Vehicle Dealers and Manufacturers Licensing Law:*

- *Amend provisions related to manufacturer approval of proposed dealer transfers and manufacturer requirements related to franchise terminations.*
- *Amend provisions related to the amount of compensation dealers receive from manufacturers who sell over-the-air products and services to retail customers.*
- *Clarify the definition of "motor vehicle dealer" for purposes of dealer and manufacturer licensing laws.*
- *Define "sell" for purposes of dealer and manufacturer licensing laws.*
- *Provide for succession rights in the event of a dealer's retirement.*
- *Prohibit manufacturers from requiring dealers to accept unfinished vehicles and from varying the price of training or equipment based on dealer compliance with a facility image program.*
- *Clarify manufacturer obligation to reimburse dealer for providing loaner vehicles.*

[As introduced, this bill was identical to S295, as introduced by Sens. Jackson, Lazzara, Sawyer, which is currently in Senate Rules and Operations of the Senate.]

CURRENT LAW: Article 12 of Chapter 20 of the General Statutes provides for regulation and licensing of motor vehicle dealers and manufacturers in North Carolina and governs the relationship between manufacturers and dealers. G.S. 20-286 sets out definitions applicable in the Article. G.S. 20-305 makes it unlawful for manufacturers to do a number of things with regard to their franchised dealers, limiting what manufacturers may require of dealers and setting out processes to ensure equitable treatment.

BILL ANALYSIS: The PCS for House Bill 406 would make the following changes to motor vehicle dealer and manufacturer licensing laws:

Manufacturer approval of transfer; dealer franchise termination. **Section 1** would prohibit a manufacturer from inquiring about or considering certain things in determining whether to approve a dealer's proposed transfer, change in executive management, or appointment of a designated successor. It would also require a manufacturer, in evaluating the performance of a dealer to determine cause for termination, to provide a dealer with a sufficient number and mix of vehicles to meet performance requirements during the review period. This section would also make provisions related to voluntary termination assistance applicable to recreational vehicle dealers in the same manner as other franchised motor vehicle dealers.

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Dealer compensation for over-the-air products and services. **Section 2** would amend the law requiring manufacturers to provide reasonable compensation to dealers when the manufacturer sells or activates over-the-air or remote products or services for vehicles sold by the dealer. This section would instead require the manufacturer to provide compensation in an amount not less than 20% of the gross compensation collected from the customer. It would also require manufacturers who provide those products and services to provide its franchised dealers statements at least monthly itemizing the type, volume, and gross receipts generated from the sale of over-the-air products and services to the dealer's customers and fees the dealer is entitled to.

Manufacturer objection to dealer transfer. **Section 3** would amend provisions related to a manufacturer objecting to a dealer transfer by specifying that a manufacturer objecting to a proposed change in executive management or principal operator based on alleged poor past performance has the burden of proving below average performance across all dealerships operated by the candidate over the preceding three-year period.

Definition of "motor vehicle dealer". **Section 4** would amend the definition of "motor vehicle dealer" in Article 12 by deleting an exemption for providers of vehicle subscriptions that was added in 2021 with a delayed effective date, and by adding persons who perform warranty service or recall work.

Definition of "sell". **Section 5** would provide a new definition for "sell" applicable to the laws regulating motor vehicle dealers and manufacturers in Article 12. The definition would be a non-exclusive list of activities related to motor vehicle retail sales, leases, exchanges, or subscriptions.

Dealership succession rights. **Section 6** would amend the law providing for dealer succession rights in the event of the owner's death or incapacity by also allowing a dealership owner to appoint a designated successor in the event of the owner's retirement.

Manufacturer prohibitions re: unfinished vehicles, cost of training and equipment. **Section 7** would prohibit manufacturers from requiring dealers to accept vehicles that can't be immediately sold because of a recall or inoperable parts or that haven't actually been delivered to the dealer. It would also prohibit manufacturers from varying the price of training or equipment based on dealer compliance with a facility image program.

Loaner vehicle cost reimbursement. **Section 8** would add clarifying language to a provision requiring a manufacturer to reimburse a dealer for providing a loaner vehicle to a customer when it is required or approved by that manufacturer. This section would provide that reimbursement is required, regardless of whether the manufacturer has its own loaner program in which the dealer has elected not to participate, and it requires the manufacturer to allow the dealer to submit claims for reimbursement in 30-day increments when the repair period is open due to a delay in parts or repair information from the manufacturer.

Section 9 is a severability clause, which would provide that if any part of the act is found to be invalid, the remaining provisions would still be in effect.

EFFECTIVE DATE: The act would be effective when it becomes law and provisions apply to all current and future franchises and other agreements between new motor vehicle dealers and manufacturers or distributors.