



SENATE BILL 295: Clarify Motor Vehicle Dealer Laws.

2025-2026 General Assembly

Analysis of: S.L. 2025-41

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S.L. 2025-41 (Senate Bill 295) makes the following changes to motor vehicle dealer and manufacturer licensing laws:

Manufacturer approval of transfer; dealer franchise termination. The act prohibits a manufacturer from requiring certain information in determining whether to approve a dealer's proposed transfer, change in executive management, or appointment of a designated successor. It also provides that good cause does not exist for a manufacturer to terminate, cancel, or not renew a franchise if, in evaluating the performance of a dealer to determine cause, the manufacturer did not provide a dealer with a sufficient number and mix of vehicles to make progress toward compliance with the manufacturer's performance criteria. This act also makes provisions related to voluntary termination assistance applicable to recreational vehicle dealers in the same manner as other franchised motor vehicle dealers.

Dealer compensation for over-the-air products and services. The act requires a manufacturer that, through over-the-air or remote means, provides for a fee any accessory, option, add on, service, feature, improvement, or upgrade for any motor vehicle owned or leased by a retail customer in this State, to provide its franchised dealers with an itemized schedule of compensation the dealer will receive for those sales and, upon request, a statement itemizing the type, volume, and gross receipts generated from the sale of over-the-air products and services to the dealer's customers and the fees and commissions to which the dealer is entitled.

Manufacturer objection to dealer transfer. The act provides 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". The act amends the definition of "motor vehicle dealer" for purposes of motor vehicle dealer and manufacturer licensing laws by deleting an exemption for providers of vehicle subscriptions or monthly rental programs, and by including persons who perform warranty service or recall work.

Definition of "sell". The act provides a new definition for "sell" applicable to the laws regulating motor vehicle dealers and manufacturers, comprising a non-exclusive list of activities related to motor vehicle retail sales, leases, exchanges, or subscriptions.

Dealership succession rights. The act amends the law governing dealer succession rights adding retirement to death and incapacity as events upon the occurrence of which a dealership owner is authorized to appoint a designated successor.

Manufacturer prohibitions re: unfinished vehicles, cost of training and equipment. The act prohibits manufacturers from requiring dealers to accept vehicles that cannot be immediately sold because of a

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recall, inoperable parts, or that have not been delivered to the dealer. It also prohibits manufacturers from varying the price of training, software, equipment, or tools based on dealer compliance with a facility image program.

Warranty reimbursement clarifications. The act clarifies that warranty reimbursement requirements apply to pre-sale maintenance and manufacturer-required component installation and assembly and requires that compensation for warranty and recall service cannot be less than the dealer's current retail rate for parts and labor.

Loaner vehicle cost reimbursement. The act requires a manufacturer to reimburse a dealer for providing a loaner vehicle to a customer if provision of the loaner vehicle is approved by that manufacturer. The act also requires reimbursement 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.

Severability clause. The act has a severability clause providing that if any provision of the act or its application is found to be invalid, the invalidity does not affect other provisions or applications of the act that can be given effect without the invalid provision or application.

The act became effective July 1, 2025, and applies to all current and future franchises and other agreements in existence as of that date between new motor vehicle dealers in this State and manufacturers or distributors.