

Chapter 1

Licensing of Vehicle Dealers

Section 1-1

Dealer Licensing Requirements

1-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) provides any person, partnership, or corporation engaging in business as any type of vehicle dealer in Michigan must be licensed by the Michigan Department of State. The Business Licensing and Regulation Division oversee this licensing activity. Other auto-related businesses, such as motor vehicle repair facilities and automotive mechanics, are also licensed by the Department of State.

The Michigan Department of State licenses ten classifications of dealers, including new vehicle dealers, used vehicle dealers; vehicle brokers, wholesalers and various types of distressed vehicle dealers. Applicants must complete a form AR-0032, *Original Vehicle Dealer License Application*, to apply for a dealer license.

1-1.2 License Expiration. Dealer licenses expire December 31 and must be renewed prior to expiration. Multi-year renewals available only on-line are encouraged. Pay particular attention to the expiration date on your dealer license. You will be required to apply for a new license if you allow your license to lapse. Form AR-0033, *Vehicle Dealer License Renewal Application*, is mailed to the dealer's licensed location prior to expiration. License renewal must be completed by November 1.

1-1.3 Un-renewed License. After December 31 of each year, dealers who have not renewed their licenses cannot operate and must reapply on an original vehicle dealer application (AR-0032). Secretary of State offices will not accept transactions from dealers whose licenses have expired.

1-1.4 Trailers. A dealer license is required for the sale of trailers weighing over 2,500 pounds. A dealer license is required for all trailers or campers require a certificate of title (e.g., trailer coaches or pick-up campers).

Section 1-2

Established Place of Business

1-2.1 Authorization. By law, every dealer must have and maintain an established place of business. This requirement is outlined in Sections 14 and 248 of the *Michigan Vehicle Code* (MCL 257.14 and 257.248). The location shown on each dealer's license is the dealer's official "established place of business." Any proposed changes in the dealership location must be applied for on form AR-0068, *Vehicle Dealer License Application Change of Name and/or*

*Change of Address.***1-2.2a Established Place of Business Requirements for New and Used Vehicle Dealers.**

Following are the requirements for licensing of new and used vehicle dealers:

- a) The premises must contain a permanently enclosed building or structure either owned, leased, or rented by a dealer, which is not a residence, tent, temporary stand, or any temporary quarters;
- b) The building or structure is required to be continuously occupied in good faith for the purpose of selling, buying, trading, leasing, or otherwise dealing in motor vehicles;
- c) All books, records, and files necessary to conduct the business of a Class A or Class B dealer must be maintained in the building or structure;
- d) A building or structure housing an office of at least 150 square feet in size, equipped with standard office furniture, working utilities, a working restroom, and a working telephone listed in the name of the business on the dealer's license;
- e) Land space of no less than 1,300 square feet to accommodate the display of a minimum of 10 vehicles of the kind and type the dealer is licensed to sell and an additional 650 square feet for customer parking. The display and customer parking areas must be adequately surfaced and well lit during business hours;
- f) An exterior sign displaying the name of the dealership is permanently affixed to the building or land with letters clearly visible from a highway identifies the premises;
- g) Conspicuous posting of the dealer's regular hours of operation. The posted hours must be not less than 30 hours per week;
- h) The premises must contain a registered repair facility on site for the repair and servicing of motor vehicles of a type sold at the established place of business, unless the dealer has entered into a written servicing agreement with a registered repair facility at a location not to exceed a distance of 10 miles from the established place of business. If repairs are conducted pursuant to a servicing agreement, the servicing agreement must be conspicuously posted in the office;
- i) The premises meet all applicable zoning and municipal requirements.

For specific information on established place of business and other dealer requirements, you may contact the Business Licensing and Regulation Division at (888) 767-6424 (1-888-SOS-MICH), or check the Secretary of State Web site at www.Michigan.gov/sos under Automotive Related Businesses.

1-2.2b Established Place of Business Requirements for Wholesale Vehicle Dealers.

An established place of business for a wholesaler must satisfy all of the following requirements:

- a) the premises must contain a permanently enclosed building or structure is either owned, leased, or rented by a wholesaler, which is not a commercial mailbox, tent, temporary stand, or other temporary quarters;
- b) All books, records, and files necessary to conduct the business of the wholesaler must be maintained in the building or structure described in subdivision a);
- c) The premises must not be used for the display of vehicles. However, the premises may be used for the storage of vehicles purchased by the wholesaler prior to sale to a licensed vehicle dealer;
- d) The premises must be identified by an exterior sign displaying the name of the wholesaler is permanently affixed to the building or land with letters clearly visible from the roadway;
- e) The premises meet all applicable zoning and municipal requirements.

1-2.3 Requirements for All Vehicle Dealers. All places of business, for all dealer license classifications, must meet the following requirements:

- a) Approval by the Secretary of State;
- b) Occupied by the dealer either continuously or on a regular basis;
- c) Books and records kept there;
- d) A large share of the business is transacted there;
- e) Vehicle inventory is kept there;
- f) Zoning and municipal approval
- g) All dealer license classes must adhere to designated business hours filed with the Secretary of State.

1-2.4 Two Dealers at One Location. The Michigan Vehicle Code [MCL 257.14 et seq.] defines an "established place of business" as the place actually occupied either continuously or at regular periods by a dealer where books and records are kept and a large share of business transacted. The address or location listed on your dealer application or change of address application cannot be the same as the established place of business or location of another licensed dealer.

By statute, the proposed address or location can only be the established place of business of one licensed vehicle dealer. If two dealers are located in close proximity, there must be a clear separation between the vehicle dealership businesses. This includes separate addresses, inventories, office spaces, customer parking, restrooms, etc.

Please note: Businesses cannot share or pool resources to meet established place of business requirements. Each business must separately meet the requirements. The Business Licensing & Regulation Division will evaluate each original dealer license application submission where it appears more than one dealer is occupying a location on a case-by-case basis.

1-2.5 Additional Locations in Same County. A dealer license authorizes the dealer to conduct business at a principal place of business in a particular county. Additional locations in the same county can be licensed as supplemental locations, at no additional fee, if the same activities will be conducted. If the types of activity differ, a separate dealer license may be required.

1-2.6 Another County. A separate dealer license is required if a dealer sells at retail in another county or establishes a place of business in another county.

Section 1-3

Workers' Compensation Insurance

1-3.1 Requirements. Used vehicle parts dealers (Class C) and automotive recyclers (Class R) must maintain workers' compensation insurance for employees classified as automobile dismantlers, or else have an insurance exemption from the Office of Financial and Insurance Services. Foreign salvage vehicle dealers (Class H) must maintain workers' compensation insurance as required by their home states.

Other classes of dealers may be required to carry workers' compensation insurance, but proof of such insurance is not required with the application for Class A, B, D, E, F, G, or W dealers (unless also licensed as a Class C or R dealer). Contact the Worker's Compensation Agency if you have questions at **(888) 396-5041** for more information.

Section 1-4

Business Hours

1-4.1 Requirements. Dealers must maintain and post regular business hours and must advise the Michigan Department of State of those hours. Dealer business hours are kept on record with the Department.

1-4.2 Business Hours. At a minimum, new and used vehicle dealerships (Class A and Class B) must be open to the public for business 30 hours each week. All other vehicle dealer classifications must maintain at least 4 hours of business each week. Dealers are required to adhere to the business hours filed with the Secretary of State and make records available for inspection to the Secretary of State and law enforcement during reasonable business hours.

1-4.3 Change in Business Hours. Dealers must notify the Michigan Department of State if the business hours change. There are two ways to notify the Department of such a change:

- a) Send or fax a brief letter to the Business Licensing Section listing the new hours. The address is: Michigan Department of State, Business Licensing Section, Lansing, Michigan, 48918. The fax is: (517) 335-2810.
- b) Change the pre-printed business hours listed on the dealer's license renewal application. Simply cross off the old business hours and write in the new hours. Mail this form to the Business Licensing Section at the address above or send by attachment to the Licensing mailbox: licensing @ Michigan.gov

1-4.4 Sunday Sales. The Secretary of State may deny the application for a license as a dealer, may refuse to issue a dealer license, or may suspend or revoke a license already issued if it finds the applicant or licensee has engaged in the business of buying, selling, trading, or exchanging new, used, or secondhand motor vehicles or has offered to buy, sell, trade, or exchange, or participate in the negotiation thereof, or attempted to buy, sell, trade, or exchange any motor vehicle or interest in any motor vehicle or any written instrument pertaining to a motor vehicle on a Sunday. Sunday sales are permitted in counties having population of fewer than 130,000 inhabitants according to the latest or each succeeding federal decennial census.

Section 1-5

Surety Bond

1-5.1 Requirements. All Class A, B, and D dealers are required to maintain a vehicle dealer surety bond in the amount of \$10,000. These bonds are used to reimburse purchasers, sellers, financing agencies, and government agencies for monetary loss caused by any tax deficiency, fraud, cheating, or misrepresentation in the conduct of the dealer's vehicle business.

1-5.2 License Termination. If a surety bond company cancels a dealer's surety bond; the dealer's license terminates on the effective date of the bond cancellation. If there is no surety bond, there is no license. Dealers whose bonds are canceled, or who have no bond on file with the Michigan Department of State, must immediately cease operations and cannot sell vehicles, process RD-108s, or otherwise conduct business.

1-5.3 Authority. Michigan law (MCL 257.248) requires the issuing surety company to notify the Michigan Department of State in advance of any bond cancellation. The Business Licensing Section notifies the dealer by mail of the cancellation. A notice is mailed advising the dealer the license has been terminated. Secretary of State offices and other interested businesses are then notified the license is no longer in effect.

Section 1-6

Fleet Insurance

1-6.1 Requirements. New, used, and wholesale vehicle dealers (Class A, B, and W) are required

to maintain a minimum of 20/40/10 fleet-type Michigan no-fault vehicle insurance. The insurance certificate must indicate coverage for either “all-owned vehicles” or “any vehicle.” A copy of the proof of insurance **must** be maintained in each vehicle leaves the lot, including test drives.

Section 1-7

Dealership Changes

1-7.1 Requirements. Changes in ownership, officers, location, business hours, type of business, franchise status, and dealer classifications are examples of changes require notification or approval by the Michigan Department of State.

1-7.2 Application. Dealers must complete and submit an original application for a license (form AR-0032) or (form AR-0068) *Vehicle Dealer License Application Change of Name and/or Change of Address*, to request a change.

Section 1-8

Change of Address or Change of Business Name

1-8.1 Postal Changes. If a dealer's business address is changed by the Post Office but the dealership has not moved, the dealer must submit a copy of the postal notice to the Business Licensing Section.

1-8.2 Moves within Same County. When a dealer anticipates a move to a new location within the same county, the dealer must complete form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*, which is available from the Business Licensing Section or online at www.Michigan.gov/sos under Automotive Related Businesses / Publications and Forms / Dealer Forms. The dealer must include municipal and zoning approvals for the new location. Change of address riders for the surety bond and fleet insurance are required for Class A, B, and D dealers.

1-8.3 Moves from One County to Another. When a dealer anticipates a move to a new location in another county, the dealer must complete form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*. Change of address riders for the surety bond and fleet insurance are required. Sole proprietorships and partnerships must provide a copy of the assumed name filing in the new county. Dealers must include municipal and zoning approvals for the new location.

1-8.4 Change of Name. When a dealership changes its name, the dealer must complete form AR-0068, *Vehicle Dealer License Application Change of Name and/or Change of Address*. Change of name riders for the surety bond and fleet insurance are required from the dealer.

Section 1-9

Change of Ownership

1-9.1 Requirements. Each owner, partner, and principal officer of a business entity must be included on the original dealer license application. All changes in the ownership of a dealership must be reported *in writing* to the Business Licensing Section. Contact the Business Licensing Section or go online at www.Michigan.gov/sos under Automotive Related Businesses / **Publications and Forms** / Dealer Forms for form AR-0069, *Dealer Corporate Officer Change Application*.

1-9.2 Corporations. Deleting an officer's name from a dealer license requires *written* notification. The dealership must submit to the Business Licensing Section either of the following:

- a) A written statement, signed by the person whose name is being removed from the license, requesting the removal; or,
- b) A certification signed by a corporate officer authorized to act on behalf of the corporation requesting the person's name be removed from the dealer license.

To add an officer's name to the license, the applicant needs to complete form AR-0069, *Dealer Corporate Officer Change Application*, including a fingerprint card. The name can be added to the license only after the Michigan Department of State has conducted an investigation of the applicant's background.

1-9.3 Partnerships. Written notification to the Business Licensing Section is required whenever names are added to or deleted from a dealer license. A new dealer license is required in certain cases.

a) **Adding a Name.** To add a partner to the license, dealers must complete form AR-0069, *Dealer Corporate Officer Change Application*, including a fingerprint card for the new person. Riders for the surety bond are required. The name may be added only after the Michigan Department of State has conducted an investigation of the applicant's background.

b) **Deleting a Name.** To delete a partner's name from the license, the dealer must submit a statement, signed by the person, whose name is being removed from the license, requesting the removal, or a certification signed by another partner. A rider for the surety bond is required.

1-9.4 Limited Liability Companies. Written notification to the Business Licensing Section is required when a managing member is added or deleted from a dealer license.

a) **Adding a Name.** Adding a member's name to the license requires the dealer to

complete form AR-0069, *Dealer Corporate Officer Change Application*, including a fingerprint card. The name may be added to the license only after the Michigan Department of State has conducted an investigation of the applicant's background.

b) Deleting a Name. Deleting a member's name from the license requires a statement, signed by the person, whose name is being removed from the license, requesting the removal, or a certification signed by another managing member.

1-9.5 Individual Ownership. When a sole owner incorporates a dealership or transfers ownership to another person or entity, a new dealer license application is needed. An individual owner can add or delete a spouse by amending the current license. A copy of the new assumed name filed with the county must be submitted to the Michigan Department of State. A rider for the surety bond is required. The dealer license number will not change in this case.

Section 1-10

Additional Sales Locations

1-10.1 Supplemental Locations. A supplemental location is an approved place of business located within the same county as the dealer's primary established place of business, and is in addition to the primary business location. The business activities at a supplemental location must be the same as those conducted at the primary location.

To apply for a supplemental location license, the dealer completes form AR-0066, *Vehicle Dealer Supplemental Location License Application*, available on the Secretary of State website, at www.Michigan.gov/sos under Automotive Related Businesses / Publications and Forms / Dealer Forms. A dealer may have as many supplemental locations as desired, but each location must qualify and be licensed by the Michigan Department of State. There is no fee to add a supplemental location.

1-10.2 Temporary Sales Locations. A dealer may hold a temporary sale at a location away from the established place of business, but only within the county of licensure. This may include a "tent sale," an auto show, or a similar event during which vehicles may be displayed or sold for a specified length of time. Form AR-0066, *Vehicle Dealer Supplemental Location License Application*, is required. A *Michigan Vehicle Dealer Closeout Statement (Temporary Location)* form is also needed. The Close-Out Statement will be used to cancel the supplemental license once the temporary sale is over. Approval for temporary sales cannot be given without a Close-Out Statement.

Restriction: No temporary sales locations are permitted outside the dealer's county of licensure. Additionally, if a dealer is not allowed Sunday Sales in their county, the dealer may not conduct a Temporary Sale on a Sunday.

NOTE: Dealer plates are not issued for temporary sales locations.

1-10.3 Temporary Sales Locations – RV Dealers. Licensed RV dealers are not required to obtain a supplemental license to deal in motor homes, trailer coaches, trailers, or pickup campers

at a recreational vehicle show if all of the following apply:

- a) The dealer is licensed as a new or used vehicle dealer (Class A or B); and,
- b) The duration of the recreational vehicle show is not more than 14 days; and,
- c) Not less than 14 days before the beginning date of the recreational vehicle show, the show producer submits a Recreational Vehicle Show application form to the following address: Michigan Department of State, Business Licensing Section, Lansing, Michigan, 48918.

The form may be faxed to the Business Licensing Section at (517) 335-2810. A copy of the form is available online at www.Michigan.gov/sos under Automotive Related Businesses / Publications and Forms / Dealer Forms.

Section 1-11

Going Out of Business

1-11.1 Requirements. When closing a dealership, including a supplemental location, a dealer must complete a *Vehicle Dealer Close-Out Statement*. The dealer must return the wall license, dealer plates, and unused temporary registrations to any Secretary of State office or they can be mailed to the Business Licensing Section.

1-11.2 Vehicles in Inventory. Dealers who do not dispose of inventory before going out of business may be left with inventory cannot be transferred without a dealer license. There is a rebuttable presumption anyone who sells five or more vehicles in a 12-month period without a dealer license is operating as an unlicensed dealer and administrative fines may be assessed.

Any vehicles owned at the time of closing must be titled in the dealership owner's name and sales tax paid, according to the fair market value of each vehicle. When closing only a supplemental location, vehicles left in inventory can be transferred either to the main location or to another supplemental location.

Section 1-12

Designated Branches

1-12.1 Dealer Selection for Designated Branch Offices Form. All new and used vehicle dealers are required to designate up to three Secretary of State branch offices where transactions will be submitted. The first choice entered on the Dealer Selection for Designated Branch Offices form will identify the only branch where BFS-4, 15-day temporary registrations will be purchased.

When selecting up to three SOS branch offices dealers may wish to consider selecting at least one SOS instant title branch and an SOS branch with hours on Saturday. CVR dealers may designate other SOS branches for processing RD-108 transactions not permissible to process under the CVR program standards.

Note: A vehicle dealer may only change SOS branch office designations one time each calendar year by submitting the Dealer Selection for Designated Branch Offices Form unless special circumstances are present (e.g., branch closure, dealer change of address, etc.) This includes designated branch changes at renewal time. Special requests will be evaluated on a case-by-case basis.

A Dealer Selection for Designated Branch Offices form can be accessed on the department's website under the Publications and Forms page and then clicking on the Dealer Forms link at the following website address:

http://michigan.gov/sos/0,4670,7-127-49534_50304---.00.html

Please refer to Appendix B of the Michigan Dealer Manual where you will find a list of branch offices by city indicating the branch number. You can access this list by visiting the Secretary of State website and following the links under Automotive Related Businesses, Information for Dealers and clicking on the Dealer Manual link at the following website address:

http://michigan.gov/sos/0,4670,7-127-49534_50300-39180--.00.html

1-12.2 EFT. Dealers who use electronic funds transfer (EFT) must use the same three branch offices selected to process EFT transactions.

Dealers interested in using EFT must complete the Electronic Funds Transfer (EFT) Application (BFS-152) and submit it by fax to the Revenue Accounting Section at (517) 373-1306.

Section 1-13

Dealer Classifications

1-13.1 Requirements. The Secretary of State classifies and differentiates vehicle dealers according to the type of business activities performed. A dealer cannot lawfully engage in activities of a particular classification unless the dealer is licensed in that classification. An applicant may apply for a dealer license in 1 or more classifications. Not all classifications are "compatible" and applications with multiple vehicle dealer classifications will be reviewed on a case-by-case basis.

NOTE: A dealer license number begins with a letter. The letter represents the dealer's "primary" (first in the alphabet) class. Additional classes are referred to as "alternate classes." This means if you are licensed in Classes "A", "B", and "C", your dealer license number will begin with an "A" (for example, your number may be A009999) and your alternate class codes will be "B" and "C". The license number alone may not show all license classes a dealer has, but the wall license will show all class information by describing all authorized activities.

The following descriptions indicate typical activities germane to each dealer classification.

1-13.2 Class A (New Vehicle Dealer). A licensed new vehicle dealer buys and sells new vehicles under a franchise agreement or contract with the manufacturer of the new vehicle. A Class A new vehicle dealer license is compatible with Class B, C, E and R licenses.

As a general rule, Michigan law prohibits manufacturers, importers, and distributors from selling a motor vehicle directly to a retail customer, other than through franchised dealers. If more specific information is required, please refer to MCL 445.1574. See the Michigan Legislature Web site at the following address: www.legislature.mi.gov

a) Authorization. A Class A license is compatible with Class B, C, E or R licenses.

1-13.3 Class B (Used Vehicle Dealer). A Class B used vehicle dealer buys and sells used vehicles. A Class B license is compatible with Class A, C, E and R class licenses.

b) Authorization. A Class B license is compatible with Class A, C, E or R licenses.

1-13.4 Class C (Used Vehicle Parts Dealer). A Class C dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. A Class C dealer can acquire whole vehicles to dismantle them for the resale of their parts, selling the remains as scrap. Class C and Foreign Salvage Vehicle Dealers (Class H) and Automotive Recyclers (Class R) are the only classes which can buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts through Michigan auctions, brokers, or salvage pools. Insurance companies may sell directly to Scrap Metal Processors (Class F).

NOTE: A Class C dealer can be represented at an auction broker or salvage pool only by its licensed Salvage Vehicle Agent (see Section 1-13.11).

a) Authorization. A Class C license is compatible with Class A, B, E, F or W licenses.

b) Selling Whole Vehicles. A Class C dealer may sell a whole vehicle as follows:

- 1) The vehicle is sold to a Scrap Metal Processor (Class F); or,
- 2) The Class C dealer applies for a scrap title and sells the unit by assigning the scrap title to another Class C dealer, or to a Class H or Class R dealer.

If the scrap title to the vehicle has been assigned to the Class C dealer in the first assignment space of the scrap title, the unit may be sold to and the title reassigned only to a Class F Dealer.

The word “scrapped” or “junked” must be written on the face of the title and the title mailed to the Michigan Department of State, Bureau of Driver and Vehicle Programs, Conversion Unit, Lansing, Michigan 48918; or,

- 3) The Class C dealer is also licensed as a Class B Used Vehicle Dealer or a Class W

Wholesaler Vehicle License.

1-13.5 Class D (Broker). A broker is a dealer who, for compensation, brings a buyer and seller together, negotiates the terms of a transaction, or displays a vehicle offered for sale. In the broker's role regarding the sale, purchase, lease or exchange of vehicles or salvageable parts, the broker does not have any ownership interest in the vehicle or salvageable part. A person who conducts a vehicle auction is a type of broker and requires a Class D license.

a) Authorization. The Class D license is compatible only with a Class G license.

b) Prohibited Practices. A broker cannot acquire ownership of vehicles or their major component parts.

c) Restrictions. Brokers have restrictions in selling late model distressed vehicles. A broker, salvage pool or auction may sell, transfer, or release a late model distressed vehicle, salvage vehicle, scrap vehicle, or salvageable part only to:

1) The vehicle's former owner; or,

2) A licensed Salvage Vehicle Agent representing a Used Vehicle Parts Dealer (Class C), a Foreign Salvage Vehicle Dealer (Class H), or an Automotive Recycler (Class R).

1-13.6 Class E (Distressed Vehicle Transporter). A Class E dealer may buy, transport, and sell vehicles only to a (Class C) Used Vehicle Parts Dealer; (Class F) Scrap Metal Processor; or (Class R) Automotive Recycler.

a) Authorization. A Class E license is compatible with Class A, B, C, F, R and W licenses.

b) Restriction. Class E dealers CANNOT sell parts or dismantle vehicles. Transporters may only remove gas tanks, batteries, radiators, tires, and wheels to sell as scrap or to make the vehicle acceptable to the scrap metal processor.

1-13.7 Class F (Vehicle Scrap Metal Processor). A Class F dealer processes vehicles into scrap metal by shredding, shearing, fragmenting, baling, or similar means. Crushing is not considered a scrap metal process since it is not the final step before re-melting.

a) Authorization. A Class F license is compatible with Class C, E, or R licenses.

b) Exception. A scrap metal processor who acquires vehicles exclusively from licensed dealers is not required to be licensed, but must keep certain records and make them available for inspection by Michigan Department of State representatives and law enforcement officers.

1-13.8 Class G (Vehicle Salvage Pool). A Class G dealer stores and displays damaged or distressed vehicles for insurance companies and cannot have an assigned title or any other ownership interest in the vehicle.

- a) **Authorization.** A Class G license is compatible only with a Class D license.
- b) **Restrictions.** Salvage pools cannot sell vehicles to repair facilities. The salvage pool, like auctions and brokers, can only sell, transfer or release late model distressed vehicles, salvage or scrap vehicles and late model major component parts to one of the following:

1) The vehicle's former owner; or,

2) A licensed Salvage Vehicle Agent representing a Used Vehicle Parts Dealer (Class C), a Foreign Salvage Vehicle Dealer (Class H), or an Automotive Recycler (Class R).

1-13.9 Class H (Foreign Salvage Vehicle Dealer). A Class H dealer is licensed in another state and is engaged in this state in the business of purchasing, selling, or otherwise dealing on a wholesale basis in salvageable parts or late model distressed vehicles. This dealer buys or otherwise acquires late model major component parts (see Chapter 5) for resale, either at wholesale or at retail. The dealer may also acquire whole vehicles to dismantle for the resale of parts, selling the remainder as scrap.

The Used Vehicle Parts Dealer (Class C) and the Automotive Recycler (Class R) licenses, are the only other dealer classifications possessing the authority to buy late model distressed vehicles (salvage or scrap vehicles) or late model major component parts from auctions, brokers, or salvage pools in Michigan.

a) **Authorization.** A Class H license is not compatible with any other Michigan vehicle dealer license. The foreign salvage vehicle dealer must also be licensed in their home state as a salvage dealer in vehicles or parts.

b) **Restrictions.** A Class H dealer can only buy or sell late model distressed vehicles or late model major component parts at Michigan auctions, brokers, or salvage pools when represented by its licensed Salvage Vehicle Agent. A salvage vehicle agent license is not necessary when dealing at other dealerships in Michigan, provided the activity is wholesale only.

1-13.10 Class R (Automotive Recycler). This dealer buys or otherwise acquires late model major component parts for resale, either at wholesale or at retail as their primary business. This dealer may acquire whole vehicles to dismantle them for the resale of their parts, selling the remains as scrap. They may periodically sell whole salvage vehicles at retail. In addition to the Foreign Salvage Vehicle Dealer (Class H) and the Used Vehicle Parts Dealer (Class C), this is the only other dealer classification possessing the authority to buy late model distressed vehicles (salvage or scrap) or late model major component parts through auctions, brokers, or salvage pools in Michigan. Insurance companies may sell directly to Scrap Metal Processors (Class F).

NOTE: A Class R dealer can be represented at an auction, broker, or salvage pool only by its licensed Salvage Vehicle Agent (see Section 1-13.11).

- a) **Authorization.** A Class R license is compatible with Class A, B, E, F and W licenses.
- b) **Selling Whole Vehicles.** A Class R dealer can sell a whole vehicle only as follows:

- 1) The vehicle is sold to a Scrap Metal Processor (Class F); or,
- 2) The Class R dealer applies for a scrap title and sells the unit by assigning the scrap title to another Class R dealer, or to a Class C or Class H dealer. If the scrap title has been assigned to the Class R dealer in the first assignment space of the scrap title, the unit may be sold and the title reassigned only to a Class F Dealer.

The word “scrapped” or “junked” must be written the face of the title and the title mailed to the Michigan Department of State, Bureau of Driver and Vehicle Programs, Conversion Unit, Lansing, Michigan 48918. Under no circumstances will the scrap title be given to the purchaser; or,

- 3) The Class R dealer is also licensed as a Class B Used Vehicle Dealer.

1-13.11 Salvage Vehicle Agent License. Michigan law requires any person in the business of buying, selling, or dealing in late model distressed vehicles (including salvage and scrap vehicles) or salvageable parts through an auction, broker, or salvage pool to be licensed as a Class C, H, or R dealer and be represented by a licensed Salvage Vehicle Agent.

a) **Authorization.** To qualify for a license as a Salvage Vehicle Agent, a person must be the Owner or an employee of one of the following dealers:

- 1) A Used Vehicle Parts Dealer (Class C); or,
- 2) A Foreign Salvage Vehicle Dealer (Class H); or,
- 3) An Automotive Recycler (Class R).

NOTE: A Class C, H or R dealership cannot have more than two licensed salvage vehicle agents at one time.

b) **Notification Approval.** The dealer submits form AR-0188, Original Salvage Agent License Application. Upon approval, the agent will receive an authorization letter with instructions on how to obtain a photo identification card. The agent must prominently display the card when attending salvage pools or auctions where vehicles with salvage or scrap titles are being sold.

c) **Agent Changes.** If any of the agent's information changes or the agent loses his or her photo identification card, the dealer must submit form AR-0191, Salvage Vehicle Agent Application for Corrected or Duplicate License. If the dealer hires a new salvage agent, the dealer submits an original application for a salvage vehicle agent license and surrenders the license of the old agent.

1-13.12 Class W (Wholesaler Vehicle License). Wholesalers engage in the business of buying and selling used vehicles from and to licensed used vehicle dealers only. Wholesalers cannot buy, sell or otherwise deal in vehicles to a person other than a licensed vehicle dealer. All of the following requirements apply to a wholesaler:

- a) **Authorization.** A Class W license is compatible with Class C, E or R licenses.
- b) **Restrictions.** Wholesalers cannot advertise vehicles for sale on the internet or any classified listing unless the advertisement clearly discloses the wholesaler's license classification and clearly states any purchaser must be a licensed vehicle dealer.
- c) Wholesalers must buy or sell not less than 24 vehicles in this state each year to retain possession of a wholesaler license.
- d) Wholesalers must maintain and adhere to designated business hours filed with the Secretary of State.

Section 1-14

Dealer Plates

1-14.1 Authorization. Michigan law permits the use of dealer plates for specific purposes and prohibits other uses. Every Class A and Class B dealer must purchase at least two dealer plates. Dealer plates are available for wholesale dealers (Class W).

1-14.2 Proper Use. Employees, servants, or agents of a dealer may operate a vehicle owned by a dealer for any purpose, provided the vehicle is not a "service vehicle." This group of permissive users includes the dealer, full- and part-time employees, and authorized agents. There is no time limit on the use of a vehicle with a dealer plate operated by these persons. The *Michigan Vehicle Code* provides for the proper use of dealer plates on vehicles, including:

- a) Dealer-owned vehicles being driven to and from repair facilities, storage lots, and other locations where vehicles are being held prior to sale;
- b) Dealer-owned vehicles being moved to locations where they may be bought or sold;
- c) Dealer-owned vehicles driven by employees, servants, or agents of the dealership for any use, except as a service vehicle;

- d) Dealer-owned vehicles may be driven by a prospective customer of a dealership for testing or demonstration purposes for up to 72 hours; and
- e) A person who has purchased a vehicle from a dealership may operate the vehicle with a dealer plate for up to 72 hours after taking delivery of the vehicle.

For law enforcement purposes, anytime a vehicle leaves a dealer's lot on a dealer plate the following items are expected to be present within the vehicle:

New Vehicle:

- a) Ownership document (copy of a manufacturer's invoice or MCO/MSO). Recommended.
- b) Proof of insurance (copy of fleet insurance). Required by Michigan law.
- c) Written authorization to drive the vehicle. Recommended.

Used Vehicle:

- a) Ownership document (copy of incoming title reassigned to dealer). Recommended.
- b) Proof of insurance (copy of fleet insurance). Required by Michigan law.
- c) Written authorization to drive the vehicle. Recommended.

1-14.3 Improper Use. Section 244 of the *Michigan Vehicle Code* (MCL 257.244) prohibits the use of dealer plates in the following circumstances:

- a) On vehicles not owned by the dealership except a vehicle sold to a customer not more than 72 hours after taking delivery;
- b) On vehicles used as service vehicles or wreckers;
- c) On vehicles owned by the dealership when operated by a person who is not the dealer, the dealer's employee or agent, or a prospective purchaser; and
- d) On vehicles titled as scrap or salvage, unless the salvage-titled vehicle has been inspected and recertified by a specially trained police officer.

NOTE: Service vehicles include courtesy cars, loaners, rental/lease units and vehicles used for obtaining parts, or to transport monies and documents to banks and Secretary of State offices, etc. Service vehicles must be titled and registered to the dealership.

1-14.4 Sanctions. The following are penalties for improper use of dealer plates:

- a) **Administrative Action.** The Michigan Department of State may take

administrative action against the dealer's license; limit the dealer's plate allotment, or both.

b) Tax Consequences. Under Michigan's sales and use tax laws, use tax is due whenever a vehicle is removed from inventory and is operated for reasons other than testing or demonstration. Such vehicles are titled in the name of the dealership. Use tax accompanies the dealer's regular tax return, unless sales tax is paid at the time of titling.

c) Civil or Criminal Consequences. The courts may hold dealers liable for associated civil or criminal violations. It is ultimately the courts' decision whether or not citations are justified in cases of improper dealer plate use.

1-14.5 Dealer Plate Frames. License plate frames cannot block or partially block registration information imprinted on the dealer plate.

1-14.6 Loss of Plate. A dealer who loses a dealer plate must immediately report its loss to the Business Licensing Section. Replacement plates may be requested at the same time. There is a replacement fee of \$5.00 per plate. An application form AR-0036, *Additional/Replacement Dealer Plates*, is available at www.Michigan.gov/sos under Automotive Related Businesses / **Publications and Forms / Dealer Forms**.

1-14.7 Tracking Dealer Plates. Dealers are reminded to be aware of where their dealer plates are being used throughout the dealership and to periodically audit dealer plates to ensure none have been lost or stolen. Lost or stolen plates can be replaced by completing form AR-0036, *Application for Additional/Replacement Dealer Plates*.

1-14.8 Destroying Expired Dealer Plates. Upon receipt of your new dealer plate shipment in February physically destroy and dispose of the dealer plates which are due to expire on the last day of February. This can be accomplished by both bending the plates in half and depositing the destroyed plates in the trash, bending in half and recycling the metal, or taking the plates to a Secretary of State office and asking the plates be destroyed. This prevents unauthorized use of the plates were previously assigned to your dealership.

Section 1-15

Repair Facility Service

1-15.1 Repair Facility Agreement. Class A and Class B dealers are required to have a registered repair facility on site for the repair and servicing of motor vehicles of a type sold at the established place of business, unless the dealer has entered into a written servicing agreement with a registered repair facility at a location not to exceed a distance of 10 miles from the established place of business. Dealers may either:

a) Register as a repair facility by submitting form AR-0012, Motor Vehicle Repair Facility Registration Application, or have a current repair facility registration; or,

b) Enter into a servicing agreement with a registered repair facility at a location not to exceed a distance of 10 miles from the established place of business. The agreement must contain the repair facility's Michigan registration number and be signed by the owner of the repair facility.

A sample agreement form is enclosed with form AR-0032, Original Vehicle Dealer License Application. If repairs are conducted pursuant to a servicing agreement, the servicing agreement shall be conspicuously posted in the office.

c) The premises meet all applicable zoning requirements and municipal requirements.

ORIGINAL VEHICLE DEALER APPLICATION REQUIREMENTS CHART

ALL CLASSES NEED THE FOLLOWING:									
Original application		Pre-License Inspection of Location			Assumed Name and/or Corporate Filing			Fingerprints	
Class Code	Copy of Franchise or Affidavit	Repair Facility Registration or Service Agreement	Municipality Approval	Zoning Approval	Fleet Insurance Certificate	Dealer Plates	License Fee	Workers Compensation Insurance	\$10,000 Vehicle Dealer Surety Bond
CLASS A	√	√	√	√	√	√ Minimum 2	\$75	N/A	√
CLASS B	N/A	√	√	√	√	√ Minimum 2	\$75	N/A	√
CLASS C	N/A	Required only if parts installed	√	√	N/A	N/A	\$160	√	N/A
CLASS D	N/A	N/A	√	√	N/A	N/A	\$75	N/A	√
CLASS E	N/A	N/A	√	√	N/A	N/A	\$75	N/A	N/A
CLASS F	N/A	N/A	√	√	N/A	N/A	\$75	N/A	N/A
CLASS G	N/A	N/A	√	√	N/A	N/A	\$75	N/A	N/A
CLASS H	N/A	N/A	N/A	N/A	N/A	N/A	\$160	√	N/A
CLASS R	N/A	Required only if parts installed	√	√	N/A	N/A	\$160	√	N/A
CLASS W	N/A	N/A	√	√	Required only if dealer plates are requested/used	Available	\$75	N/A	N/A

ALL DEALER LICENSES EXPIRE DECEMBER 31.