

MOTOR VEHICLE REPAIR FACILITIES

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Senate Bill 867 (S-2) as reported
Sponsor: Sen. John Cherry
House Committee: Regulatory Reform
Senate Committee: Regulatory Affairs
Complete to 12-13-24

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

Senate Bill 867 would amend the Motor Vehicle Service and Repair Act to allow motor vehicle repair facilities to register a single, auxiliary facility under the same registration, modify registration fees for motor vehicle repair facilities, and make other changes.

Auxiliary facilities

Currently, the act requires motor vehicle repair facility owners to annually register with the Department of State (SOS).

The bill would allow owners of these facilities to also be approved for a single, auxiliary facility under the same registration and registration number as the primary facility. To be approved, the owner would have to apply to SOS, in a format prescribed by the secretary of state, with written verification from the appropriate municipal governing body or zoning authority that the auxiliary facility meets all applicable municipal and zoning requirements.

Upon receiving the application, SOS would review the compliance history of the primary registered facility and could deny the application or revoke its approval if the primary facility has any of the following:

- Two or more unresolved violations involving customer parts retention.
- Two or more unresolved violations for failing to maintain records.
- An unresolved violation for hindering or obstructing a general compliance inspection or a consumer complaint inspection.

Auxiliary facilities would have to meet all of the following:

- Be located within a one-mile radius of the primary motor vehicle repair facility.
- Serve as an extension of the primary facility.
- Mirror the primary facility's hours of operation, types of vehicles serviced, and repairs performed.
- Rely on the established place of business of the primary facility for all in-person customer interactions including customer drop-off and pick-up of vehicles, payment, invoice generation, and other documents shared with a customer.
- Not perform any repairs that are not approved, directed, or initiated by and through the primary facility.

Auxiliary facilities would not need any of the following:

- A registration certificate with a separate registration number from the facility with which the auxiliary facility shares a registration.

- An exterior sign that identifies the business.
- Any customer instrument, form, contract, written statement, or other document required under the act that is distinct from the instruments, forms, contracts, written statements, or other documents used by the primary facility.
- A consumer information sign.
- A notice of parts return sign.

Records

The bill would require that records for auxiliary facilities be kept in the same manner as required for other facilities, but would require that these records be stored at the primary facility with which the auxiliary facility shares its registration.

Other provisions

Currently, the act requires that a certified specialty or master mechanic display their current certificate at the facility they are employed or engaged to perform repairs. The bill would specify that they are not required to display this certificate at an auxiliary facility.

In addition, the act currently requires that a person owning multiple motor vehicle repair facilities in Michigan clearly indicate the location of and person in charge of each facility on their registration application. The bill would specify that information for auxiliary facilities need not be included under this provision.

The bill would provide that auxiliary facilities must be open to inspection, including periodic unannounced inspections, by SOS and other law enforcement officials during regular business hours, as is required for other repair facilities under the act.

Application and registration requirements and fees

Currently, the act requires that owners of motor vehicle repair facilities to provide various information to SOS along with their application form annually.

The bill would add that, for applicants applying on or after July 1, 2025, the information submitted must include the location of the applicant's established place of business in Michigan, along with written verification from the appropriate municipal governing body or zoning authority that states that the place of business meets all applicable municipal and zoning requirements.

The bill would also add that the registration application must include any auxiliary facilities that will share the same registration and registration number as the applicant.

In addition, the act would modify the existing requirements as follows:

- Require the principal occupation or business for the past five years for each person that owns at least 25% of the facility, increased from the current 10%.
- Provide that if the applicant's range gross revenue received from repairs, as currently required, does not exceed \$300,000, the applicant would also need to provide proof of gross revenue upon request from SOS.

Fee modifications

The bill would make several changes to the fees paid by motor vehicle repair facilities.

First, the bill would provide that the fees paid by these facilities are nonrefundable.

In addition, the bill would change the current registration fee structure, which is based on gross annual revenue, as shown in the table below.

Current Registration Fee Structure	
Annual Gross Revenue	Fee
Under \$5,000	\$25
\$5,001 to \$15,000	\$50
\$15,001 to \$25,000	\$75
\$25,001 to \$40,000	\$100
\$40,001 to \$60,000, and each \$20,000 increment to \$340,000	\$125 (plus \$25 for each \$20,000 increment)
Over \$340,000	\$500

Proposed Registration Fee Structure	
Annual Gross Revenue	Fee
Under \$50,000	\$100
\$50,001 to \$100,000	\$200
\$100,001 to \$200,000	\$300
\$200,001 to \$300,000	\$400
Over \$300,000	\$500

The bill would also increase the certification examination fee from \$6 to \$18 and require that \$12 of each fee be deposited into the Mechanic Certification Examination Fund described below. The other \$6 would still go into the general fund.

Multi-year registration

The bill would allow the owner of a motor vehicle repair facility with a gross revenue greater than \$300,000 to renew the facility's registration for between one and four years. The registration fee would be the applicable annual fee multiplied by the number of years of the registration.

Mechanic Certification Examination Fund

The bill would create the Mechanic Certification Examination Fund in the state treasury. The state treasurer would direct the investment of the fund and deposit any interest and earnings into the fund. SOS would be the administrator of the fund for audit purposes.

SOS would, upon appropriation, expend money from the fund only for one or more of the following purposes:

- To develop and update the content of the mechanic certification examination.
- To administer the mechanic certification examination.

Other changes

The bill would add that if the address of a motor vehicle repair facility changed, the facility must submit written verification from the appropriate municipal governing body or zoning authority that states that the established place of business and, if applicable, any auxiliary facility meet all applicable municipal and zoning requirements.

The act currently requires that SOS be notified if a motor vehicle repair facility is a corporation and 10% or more of the corporation's stock is sold or transferred. The bill would increase this threshold 25% or more of the stock.

MCL 257.1302 et. seq.

BRIEF DISCUSSION:

According to committee testimony, recent changes, such as new technology and an increased willingness by consumer to repair broken vehicles, has increased the burden on repair facilities. The bill would allow them to handle this burden by authorizing the use of auxiliary facilities.

In addition, supporters argue in favor of the increased exam fee, stating that it has been decades since the fee was adjusted.

FISCAL IMPACT:

Senate Bill 867 would result in a marginal annual increase in revenue to the state general fund and generate additional revenue to be deposited into a new state restricted fund for use by the Department of State. These revenue increases would be the result of two changes in the bill to existing fees.

The bill would update the registration fees for repair facilities by reducing the number of fee categories, graduated by facility revenue, from 20 to 5 and increasing the corresponding fees. The Department of State estimates that these increases will result in an additional \$160,000 annually, bringing annual total registration fee collection from approximately \$2.9 million to \$3.1 million. Additional fee revenue would be deposited into the state general fund.

The bill would also increase the fee for the mechanic certification examination by \$12, from \$6 to \$18. The increased amount would be deposited into the state restricted Mechanic Certification Examination Fund created by the bill to be used to update the content of the certification exam to stay current with new technologies and to administer the exam. From each \$18 fee, \$6 would continue to be deposited into the general fund.

The department reports that 41,600 exams were administered in FY 2023-24 and that approximately \$250,000 was collected. The fee increase would result in approximately \$500,000 to be deposited into the fund annually. The department estimates that, from the

increased revenue, approximately \$208,000 would support contracts for updating exams, another \$208,000 would support staff wages in administering the exams, and \$83,000 would support information technology costs related to administering the exams.

POSITIONS:

Representatives of the following entities testified in support of the bill (12-3-24)

- Secretary of State
- Auto Dealers of Michigan

The National Federation of Independent Businesses indicated support for the bill (12-3-24).

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.