

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
First Reader

Senate Bill 886 (Senator Lee)  
Judicial Proceedings

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Vehicle Laws - Manufacturers and Dealers - Incentives

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This bill requires an affiliate of a vehicle manufacturer, distributor, or factory branch to offer certain incentives to all dealers (and all purchasers of vehicles) of the same line make. An affiliate that denies the benefit of any consumer rebates, dealer incentives, price or interest rate reductions, or finance terms to a dealer on the basis that the dealer failed to comply with performance standards has the burden of proving that the performance standards comply with State law. The bill further requires any system operated by a manufacturer, distributor, or factory branch or its affiliate for the allocation of new vehicles to dealers to be reasonable and fair for all dealers. Upon written request by a dealer, a manufacturer, distributor, or factory branch or its affiliate must disclose the method by which new vehicles are allocated to dealers of the same line make. In any dispute over compliance with the bill's requirements, a manufacturer, distributor, or factory branch or its affiliate has the burden of proving its compliance.

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Fiscal Summary

**State Effect:** The bill does not materially affect State finances or operations.

**Local Effect:** None.

**Small Business Effect:** Potential meaningful.

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Analysis

**Current Law:** A motor vehicle manufacturer, distributor, or factory branch must be licensed by the Motor Vehicle Administration (MVA) in order to, among other things,

transfer new vehicles and conduct business in new vehicles in Maryland. Likewise, a person may not conduct the business of a dealer unless licensed by MVA.

### *Equal Offering of Incentives to Dealers of Same Line Make*

Any consumer rebates, dealer incentives, price or interest rate reductions, or finance terms that a manufacturer, distributor, or factory branch offers or advertises, or allows its dealer to offer or advertise, must be offered to all dealers of the same line make. Any manufacturer, distributor, or factory branch that denies these benefits to a dealer on the basis that the dealer failed to comply with performance standards has the burden of proving that the performance standards comply with State law.

Unless a dealer violates a State or local law intended to protect the public, a manufacturer, distributor, or factory branch may not (1) require a dealer to alter or replace an existing dealership facility or (2) deny (or threaten to deny) any benefit generally available to all dealers for a dealer's failure to alter or replace an existing dealership facility.

A manufacturer, distributor, or factory branch may not reduce the price of a motor vehicle charged to a dealer or provide different financing terms to a dealer in exchange for the dealer's agreement to (1) maintain an exclusive sales or service facility; (2) build or alter a sales or service facility; or (3) participate in a floor plan or other financing agreement.

**Small Business Effect:** The bill expands an existing provision of State law that requires certain incentives that are offered by a manufacturer, distributor, or factory branch to be offered to all dealers of the same line make. Under the bill, this requirement is altered so that it also applies to affiliates of a manufacturer, distributor, or factory branch. Further, the bill expands the existing requirement such that *all* purchasers of vehicles are required to be offered the same incentives. These changes may benefit small business vehicle dealers to the extent such dealers conduct business with affiliates of manufacturers, distributors, or factory branches. Moreover, any small businesses that purchase vehicles may also benefit from the bill's requirement that all purchasers of vehicles be offered the same incentives. Any small business vehicle dealers may also benefit from the bill's requirement that any system operated by a manufacturer, distributor, or factory branch or its affiliate for the allocation of new vehicles be reasonable and fair for all dealers.

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## **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** HB 931 (Delegate Queen) - Economic Matters.

**Information Source(s):** Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 23, 2022  
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