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**STATE OF RHODE ISLAND**

**IN GENERAL ASSEMBLY**

**JANUARY SESSION, A.D. 2026**

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A N A C T

RELATING TO MOTOR AND OTHER VEHICLES -- REGULATION OF BUSINESS PRACTICES AMONG MOTOR VEHICLE MANUFACTURERS, DISTRIBUTORS, AND DEALERS

Introduced By: Representatives Serpa, Fellela, and Read

Date Introduced: February 27, 2026

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1           SECTION 1. Sections 31-5.1-4.1, 31-5.1-4.2, 31-5.1-5, 31-5.1-6, 31-5.1-6.1, 31-5.1-8, 31-  
2   5.1-11, 31-5.1-18, 31-5.1-19 and 31-5.1-21 of the General Laws in Chapter 31-5.1 entitled  
3   "Regulation of Business Practices Among Motor Vehicle Manufacturers, Distributors, and  
4   Dealers" are hereby amended to read as follows:

5           **31-5.1-4.1. Dealership — Survivorship.**

6           (a)(1) Right of designated family member to succeed in dealership ownership. Any owner  
7   of a new motor vehicle dealership may appoint by will or any other written instrument a designated  
8   family member to succeed in the ownership interest of that owner in the new motor vehicle  
9   dealership.

10          (2) Unless there exists good cause for refusal to honor that succession on the part of the  
11   manufacturer, ~~or distributor,~~ or factory branch, any designated family member of a deceased or  
12   incapacitated owner of a new motor vehicle dealer may succeed to the ownership of the new motor  
13   vehicle dealer under the existing franchise provided that:

14          (i) The designated family member gives the manufacturer, ~~or distributor,~~ or factory branch  
15   written notice of his or her intention to succeed to the ownership of the new motor vehicle dealer  
16   within one hundred twenty (120) days of the owner's death or incapacity;

17          (ii) The designated family member agrees to be bound by all the terms and conditions of  
18   the franchise; and

1 (iii) The designated family member shall not operate the dealership unless he or she meets  
2 the then-current criteria generally applied by the manufacturer, ~~or~~ distributor, or factory branch in  
3 qualifying dealer-operators.

4 (3) The manufacturer, ~~or~~ distributor, or factory branch may request, and the designated  
5 family member shall provide, promptly upon the request, personal and financial data that is  
6 reasonably necessary to determine whether the succession should be honored.

7 (b) Refusal to honor succession to ownership — *Notice required.*

8 (1) If a manufacturer, ~~or~~ distributor, or factory branch believes that good cause exists for  
9 refusing to honor the succession to the ownership of a new motor vehicle dealer by a family member  
10 of a deceased or incapacitated owner of a new motor vehicle dealer under the existing franchise  
11 agreement, the manufacturer, ~~or~~ distributor, or factory branch may, not more than sixty (60) days  
12 following receipt of:

13 (i) Notice of the designated family member's intent to succeed to the ownership of the new  
14 motor vehicle dealer; or

15 (ii) Any personal or financial data which it has requested, serve upon the designated family  
16 member and the department of revenue notice of its refusal to honor the succession and of its intent  
17 to discontinue the existing franchise with the dealer no sooner than ninety (90) days from the date  
18 the notice is served.

19 (2) The notice must state the specific grounds for the refusal to honor the succession and  
20 of the manufacturer's, ~~or~~ distributor's, or factory branch's intent to discontinue the existing  
21 franchise with the new motor vehicle dealer no sooner than ninety (90) days from the date the notice  
22 is served.

23 (3) If notice of refusal and discontinuance is not timely served upon the family member,  
24 the franchise shall continue in effect subject to termination only as otherwise permitted by this  
25 chapter.

26 (c) Written designation of succession unaffected. This chapter does not preclude the owner  
27 of a new motor vehicle dealership from designating any person as the owner's successor by written  
28 instrument filed with the manufacturer, ~~or~~ distributor, or factory branch and, in the event there is a  
29 conflict between that written instrument and the provisions of this section, the written instrument  
30 shall govern.

31 **31-5.1-4.2. Establishing new dealerships and relocating existing dealerships.**

32 (a) In the event that a manufacturer, distributor or factory branch seeks to enter into a  
33 franchise establishing an additional new motor vehicle dealership, adding an additional location for  
34 an existing new motor vehicle dealership, or relocating an existing new motor vehicle dealership

1 within or into a relevant market area where the same line or make is then represented, except when  
2 the corporation operating the new motor vehicle dealership contains one or more officers who were  
3 also officers of a dealership operating at the same location as the new motor vehicle dealership  
4 immediately prior to the establishment of the new motor vehicle dealership, the manufacturer,  
5 [distributor or factory branch](#) shall in writing by certified mail first notify the department and each  
6 new motor vehicle dealer in the same line or make in the relevant market area of the intention to  
7 establish an additional dealership to add an additional location for an existing new motor vehicle  
8 dealership, or to relocate an existing dealership within or into that market area. Within thirty (30)  
9 days of receiving notice or within thirty (30) days after the end of any appeal procedure provided  
10 by the manufacturer, [distributor or factory branch](#), any affected new motor vehicle dealership may  
11 file with the department a protest to the establishing or relocating of the new motor vehicle  
12 dealership or adding an additional location for an existing new motor vehicle dealership. When a  
13 protest is filed, the department shall inform the manufacturer, [distributor or factory branch](#) that a  
14 timely protest has been filed, and that the manufacturer, [distributor or factory branch](#) shall not  
15 establish or relocate the proposed new motor vehicle dealership or add the proposed additional  
16 location for an existing new motor vehicle dealership until the department has held a hearing, nor  
17 until the department has determined that there is good cause for not permitting the new motor  
18 vehicle dealership. For the purposes of this section, the reopening in a relevant market area of a  
19 new motor vehicle dealership shall be deemed the establishment of an additional new motor vehicle  
20 dealership.

21 (b) In determining whether good cause has been established for entering into or relocating  
22 an additional franchise for the same line or make, or adding an additional location for an existing  
23 new motor vehicle dealership, the department shall take into consideration the existing  
24 circumstances, including, but not limited to:

25 (1) Permanence of the investment of the existing new motor vehicle dealer(s) in the  
26 community;

27 (2) Whether the new motor vehicle dealers of the same line or make in that relevant market  
28 area are providing adequate consumer care for the motor vehicles of the line or make in the market  
29 area which shall include the adequacy of motor vehicle sales and service facilities, equipment,  
30 supply of motor vehicle parts, and qualified service personnel;

31 (3) Whether there is reasonable evidence that after the granting of the new motor vehicle  
32 dealership, that the market would support all of the dealerships of that line or make in the relevant  
33 market area;

34 (4) Whether it is injurious to the public welfare for an additional new motor vehicle

1 dealership to be established;

2 (5) The growth or decline in population and new motor vehicle registrations during the past  
3 five (5) years in the relevant market area;

4 (6) Whether the manufacturer, [distributor or factory branch](#) is motivated principally by  
5 good faith to establish an additional or new motor vehicle dealer and not by non-economic  
6 considerations;

7 (7) Whether the manufacturer, [distributor or factory branch](#) has denied its existing new  
8 motor vehicle dealers of the same line or make the opportunity for reasonable growth, market  
9 expansion, or relocation;

10 (8) The reasonably expected or anticipated vehicle market for the relevant market area,  
11 including demographic factors such as age of population, income, size class preference, product  
12 popularity, retail lease transactions, or other factors affecting sales to consumers in the relevant  
13 market area;

14 (9) Growth or decline in population, density of population, and new car registrations in the  
15 relevant market area;

16 (10) Distance, travel time, traffic patterns, and accessibility between the existing new  
17 dealership of the same new line make and the location of the proposed new or relocated dealership;

18 (11) The amount of business transacted by existing new motor vehicle dealers of the line  
19 or make when compared with the amount of business available to them;

20 (12) Whether the existing new motor vehicle dealers of the line or make are receiving  
21 vehicles and parts in quantities promised by the manufacturer, factory branch or distributor and on  
22 which promised quantities existing new motor vehicle dealers based their investment and scope of  
23 operations.

24 (c) Any parties to a hearing by the department concerning the establishing or relocating of  
25 a new motor vehicle dealership or adding an additional location for an existing new motor vehicle  
26 dealership shall have a right to a review of the decision in a court of competent jurisdiction.

27 (d) At any hearing conducted by the department under this section, the manufacturer or  
28 dealer seeking to establish an additional new motor vehicle dealership, relocate an existing new  
29 motor vehicle dealership, or add an additional location for an existing new motor vehicle dealership  
30 shall bear the burden of proof in establishing that good cause exists for it.

31 (e) Every person, firm or corporation who prior to the retail sale of a motor vehicle,  
32 converts or otherwise assembles, installs or affixes a body, cab or special equipment to a chassis or  
33 who adds to, subtracts from or modifies a previously assembled or manufactured motor vehicle  
34 shall be required to comply with the requirements of this section.

1           **31-5.1-5. Delivery obligations.**

2           Every manufacturer, distributor or factory branch shall specify to the dealer the delivery  
3 and preparation obligations of its motor vehicle dealers prior to delivery of new motor vehicles to  
4 retail buyers. A copy of the delivery and preparation obligations of its motor vehicle dealers, and a  
5 schedule of the compensation to be paid to its motor vehicle dealers for the work and services they  
6 shall be required to perform in connection with the delivery and preparation obligations, shall be  
7 filed with the department by every motor vehicle manufacturer, distributor or factory branch, and  
8 shall constitute the dealer's only responsibility for product liability as between the dealer and the  
9 manufacturer. The compensation as set forth on the schedule shall be in accordance with §§ 6A-2-  
10 329 and 31-5.1-6.

11           **31-5.1-6. Warranty agreement.**

12           (a) Every manufacturer, distributor or factory branch shall properly fulfill any warranty  
13 agreement and adequately and fairly compensate each of its motor vehicle dealers for labor and  
14 parts. In no event shall that compensation fail to include reasonable compensation for diagnostic  
15 work, as well as repair service and labor. All claims made by motor vehicle dealers for labor and  
16 parts shall be paid in accord with the provisions of this section. Every manufacturer, distributor or  
17 factory branch shall allow not less than ninety (90) days for its new motor vehicle dealers to submit  
18 claims for reimbursement for such service required of the dealers by the manufacturer, distributor  
19 or factory branch. Any delay in payment after approval or disapproval that is caused by conditions  
20 beyond the reasonable control of the manufacturer, distributor or factory branch shall not constitute  
21 a violation of this section. Reimbursement for warranty repairs ~~or~~ diagnostic, certified pre-owned  
22 warranty or recall that is issued by the manufacturer, distributor, factory branch, common entity,  
23 or agent of the manufacturer, distributor, or factory branch work shall be at the dealer retail rate in  
24 effect at the time the warranty repair or diagnostic work is performed. Compensation for parts used  
25 in warranty service shall be fair and reasonable, as determined by methods described in subsection  
26 (b). Compensation for labor used in warranty service shall be fair and reasonable, as determined by  
27 methods described in subsection (c).

28           (b) The retail rate customarily charged by the dealer for parts shall be established by the  
29 dealer submitting to the manufacturer, ~~or~~ distributor, or factory branch one hundred (100)  
30 sequential non-warranty customer-paid service repair orders that contain warranty-like parts, or  
31 sixty (60) consecutive days of non-warranty customer-paid service repair orders that contain  
32 warranty-like parts, whichever is less, covering repairs made no more than one hundred eighty  
33 (180) days before the submission and declaring the average percentage markup. The average of the  
34 markup rates shall be presumed to be fair and reasonable, however, a manufacturer, ~~or~~ distributor,

1 [or factory branch](#) may, not later than thirty (30) days after submission, rebut that presumption by  
2 reasonably substantiating that the rate is unfair and unreasonable in light of the ~~practices of~~  
3 [advertised retail rates charged to retail customers for warranty-like repairs by](#) all other franchised  
4 motor vehicle dealers in the ~~vicinity~~ [relevant market area](#) offering the same line-make vehicles. The  
5 retail rate shall go into effect thirty (30) days following the declaration, subject to audit of the  
6 submitted repair orders by the franchisor and a rebuttal of the declared rate as described above. If  
7 the declared rate is rebutted, the manufacturer, ~~or~~ distributor, [or factory branch](#) shall propose an  
8 adjustment of the average percentage markup based on that rebuttal not later than thirty (30) days  
9 after submission. If the dealer does not agree with the proposed average percentage markup, the  
10 dealer may file a protest with the department not later than thirty (30) days after receipt of that  
11 proposal by the manufacturer, ~~or~~ distributor, [or factory branch](#). If the protest is filed, the department  
12 shall inform the manufacturer, ~~or~~ distributor, [or factory branch](#) that a timely protest has been filed  
13 and that a hearing will be held on the protest. In any hearing held pursuant to this subsection, the  
14 manufacturer, ~~or~~ distributor, [or factory branch](#) shall have the burden of proving that the rate  
15 declared by the dealer was unfair and unreasonable as described in this subsection and that the  
16 proposed adjustment of the average percentage markup is fair and reasonable pursuant to the  
17 provisions of this subsection.

18 (c) The retail rate customarily charged by the dealer for [non-warranty](#) labor may be  
19 established by submitting to the manufacturer, ~~or~~ distributor, [or factory branch](#) all non-warranty  
20 customer-paid service repair orders covering repairs made during the month prior to the submission  
21 and dividing the amount of the dealer's total labor sales by the number of total labor hours that  
22 generated those sales. [Compensation for warranty labor shall equal the dealer's non-warranty labor](#)  
23 [rate multiplied by the actual time worked by the dealer's technician performing necessary repairs](#)  
24 [in accordance with the manufacturer, distributor or factory branch's procedures, evidenced by the](#)  
25 [dealer's submission of the technician's time punch, inclusive of any diagnostic and manufacturer](#)  
26 [technical assistance time, and any relevant electronic data or records for the warranty repair.](#)  
27 [Compensation for warranty labor shall be supported by an attestation from the dealer that](#)  
28 [submission is accurate to the best of the dealer's knowledge.](#) The average labor rate shall be  
29 presumed to be fair and reasonable, provided a manufacturer, ~~or~~ distributor, [or factory branch](#) may,  
30 not later than thirty (30) days after submission, rebut the presumption by reasonably substantiating  
31 that the rate is unfair and unreasonable in light of the practices of all other franchised motor vehicle  
32 dealers in the vicinity offering the same line-make vehicles. The average labor rate shall go into  
33 effect thirty (30) days following the declaration, subject to audit of the submitted repair orders by  
34 the franchisor and a rebuttal of the declared rate. If the declared rate is rebutted, the manufacturer,

1 ~~or~~ distributor, [or factory branch](#) shall propose an adjustment of the average labor rate based on the  
2 rebuttal not later than thirty (30) days after submission. If the dealer does not agree with the  
3 proposed average labor rate, the dealer may file a protest with the department not later than thirty  
4 (30) days after receipt of that proposal by the manufacturer, ~~or~~ distributor, [or factory branch](#). If a  
5 protest is filed, the department shall inform the manufacturer, ~~or~~ distributor, [or factory branch](#) that  
6 a timely protest has been filed and that a hearing will be held on the protest. In any hearing held  
7 pursuant to this subsection, the manufacturer, ~~or~~ distributor, [or factory branch](#) shall have the burden  
8 of proving that the rate declared by the dealer was unfair and unreasonable as described in this  
9 subsection and that the proposed adjustment of the average labor rate is fair and reasonable pursuant  
10 to the provisions of this subsection.

11 (d) In calculating the retail rate customarily charged by the dealer for parts and labor, the  
12 following work shall not be included in the calculation:

13 (1) Repairs for manufacturer, ~~or~~ distributor, [or factory branch](#) special events, specials, or  
14 promotional discounts for retail customer repairs;

15 (2) Parts sold at wholesale;

16 (3) Engine assemblies and transmission assemblies;

17 (4) Routine maintenance not covered under any retail customer warranty, such as fluids,  
18 filters, and belts not provided in the course of repairs;

19 (5) Nuts, bolts, fasteners, and similar items that do not have an individual part number;

20 (6) Tires; and

21 (7) Vehicle reconditioning.

22 (e) If a manufacturer, ~~or~~ distributor, [or factory branch](#) furnishes a part or component to a  
23 dealer at no cost, to use in performing repairs under a recall, campaign service action, or warranty  
24 repair, the manufacturer, ~~or~~ distributor, [or factory branch](#) shall compensate the dealer for the part  
25 or component in the same manner as warranty parts compensation under this section by  
26 compensating the dealer the average markup on the cost for the part or component as listed in the  
27 manufacturer's, ~~or~~ distributor's, [or factory branch's](#) price schedule less the cost for the part or  
28 component.

29 (f) A manufacturer, ~~or~~ distributor, [or factory branch](#) may not require a dealer to establish  
30 the retail rate customarily charged by the dealer for parts and labor by an unduly burdensome or  
31 time-consuming method or by requiring information that is unduly burdensome or time consuming  
32 to provide, including, but not limited to, part-by-part or transaction-by-transaction calculations. A  
33 dealer may not declare an average percentage markup or average labor rate more than twice in one  
34 calendar year.

1 (g) A manufacturer, ~~or distributor,~~ or factory branch may not otherwise recover its costs  
2 from dealers within this state, including an increase in the wholesale price of a vehicle or surcharge  
3 imposed on a dealer solely intended to recover the cost of reimbursing a dealer for parts and labor  
4 pursuant to this section, provided a manufacturer, ~~or distributor,~~ or factory branch shall not be  
5 prohibited from increasing prices for vehicles or parts in the normal course of business.

6 (h) ~~Each manufacturer or distributor shall perform all warranty obligations, include in~~  
7 ~~written notices of factory recalls to owners and dealers the expected date by which necessary parts~~  
8 ~~and equipment will be available to dealers for the correction of the defects, and compensate dealers~~  
9 ~~for repairs necessitated by such recall.~~ A manufacturer, distributor, or factory branch shall not  
10 unreasonably subject a dealer to a warranty audit or chargeback. A dealer shall only assign warranty  
11 claims to technicians that meet the manufacturing distributor, factory branch or department's  
12 reasonable qualifications. Either party may appeal provisions of this subsection to the department.

13 (i) A claim filed under this section or § 31-5.1-6.1 by a dealer with a manufacturer, ~~or~~  
14 distributor, or factory branch shall be:

15 (1) In the manner and form prescribed by the manufacturer, ~~or distributor,~~ or factory  
16 branch; and

17 (2)(i) Approved or disapproved within (30) days of receipt.

18 (ii) A claim not approved or disapproved within thirty (30) days of receipt shall be deemed  
19 approved.

20 (iii) Payment of, or credit issued on, a claim filed under this section shall be made within  
21 thirty (30) days of approval.

22 (3)(i) If a claim filed under this section is shown by the manufacturer, ~~or distributor,~~ or  
23 factory branch to be false or unsubstantiated, the manufacturer, ~~or distributor,~~ or factory branch  
24 may charge back the claim within twelve (12) months from the date the claim was paid or credit  
25 issued.

26 (ii) A manufacturer, ~~or distributor,~~ or factory branch shall not charge back a claim based  
27 solely on a motor vehicle dealer's incidental failure to comply with a specific claim processing  
28 requirement, such as a clerical error or other administrative technicality that does not put into  
29 question the legitimacy of the claim after the motor vehicle dealer properly resubmits the claim in  
30 accordance with the manufacturer's, ~~or distributor's,~~ or factory branch's submission guidelines.

31 (iii) A dealer shall have no less than sixty (60) days from the date of written notification  
32 by a manufacturer, ~~or distributor,~~ or factory branch or distributor of a proposed charge back ~~to the~~  
33 identifying the specific claim documentation procedure or procedures violated by the dealer to  
34 resubmit a claim for payment or compensation if the claim was denied for a dealer's incidental

1 failure as set forth in subsection (i)(3)(ii), ~~whether the chargeback was a direct or an indirect~~  
2 ~~transaction.~~

3 (iv) This subdivision does not limit the right of a manufacturer, ~~or~~ distributor, or factory  
4 branch to charge back for any claim that is proven to be fraudulent.

5 (4) Any claim disapproved by manufacturer, distributor, or factory branch shall be  
6 provided via written notice to the dealer within forty-five (45) days which shall include a detailed  
7 explanation of the reason(s) for disapproval. A dealer shall have forty-five (45) days from the  
8 receipt of disapproval to resubmit a corrected claim. For any disapproval based on actual time  
9 worked by a technician, the burden shall be on the manufacturer, distributor, or factory branch to  
10 provide evidence that the technician did not spend the submitted time working on the repair or that  
11 the dealer's submission did not comply with this section. A manufacturer, distributor, or factory  
12 branch may protest a corrected claim within thirty (30) days after receipt of the correct claim by  
13 filing a protest with the department and providing a copy to the dealer. The department shall provide  
14 reasonable notice to all parties of any hearing to be held on a protest. The burden in a protest shall  
15 be on the manufacturer, distributor, or factory branch to prove that a claim made by the dealer under  
16 this section was unfair and unreasonable pursuant to the terms of this section.

17 **31-5.1-6.1. Obligations during recalls.**

18 (a) A manufacturer, distributor, or factory branch shall compensate its new motor vehicle  
19 dealers for all labor and parts required by the manufacturer, distributor, or factory branch to perform  
20 recall repairs. Compensation for recall repairs shall be at the dealer retail rate in effect at the time  
21 the recall repair work is performed. The dealer retail rate for parts and labor shall be at the same  
22 rates as those provided for under § 31-5.1-6. If parts or a remedy are not reasonably available to  
23 perform a recall service or repair on a used vehicle held for sale by the dealer authorized to sell  
24 new vehicles of the same line-make within thirty (30) days of the manufacturer, distributor, or  
25 factory branch issuing the initial notice of recall and the manufacturer, distributor, or factory branch  
26 has issued a "Stop-Sale," or "Do-Not-Drive," order on the vehicle, the manufacturer, distributor,  
27 or factory branch shall compensate the dealer at a rate of at least one and one-half percent (1.5%)  
28 of the value of the vehicle per month, or portion of a month, while the recall or remedy parts are  
29 unavailable and the "Stop-Sale," or "Do-Not-Drive," order remains in effect. A "Stop-Sale" shall  
30 be defined as a notification issued by a vehicle manufacturer, distributor, or factory branch to its  
31 franchised dealerships stating that certain used vehicles in inventory shall not be sold or leased, at  
32 retail and/or wholesale, due to a federal safety recall for a defect or a noncompliance, or a federal  
33 or California emissions recall.

34 (b) The value of a used vehicle shall be the average trade-in value for used vehicles as

1 indicated in an independent, third-party guide for the year, make, model, and mileage of the recalled  
2 vehicle on the later of:

3 (1) The date the “Stop-Sale” or “Do-Not-Drive” order was issued; or

4 (2) The date the vehicle is taken in the used motor vehicle inventory.

5 (c) This section shall apply only to used vehicles subject to safety or emissions recalls  
6 pursuant to and recalled in accordance with federal law and regulations adopted thereunder and  
7 where a “Stop-Sale,” or “Do-Not-Drive,” order has been issued; provided, further, that this section  
8 shall apply only to new motor vehicle dealers holding used vehicles for sale that are a line-make  
9 that the dealer is franchised to sell or on which the dealer is authorized to perform recall repairs.  
10 This section further shall apply only to new motor vehicle dealers holding an affected used motor  
11 vehicle for sale that was:

12 (1) In inventory at the time the “Stop-Sale” or “Do-Not-Drive” order was issued;

13 (2) Taken in the used motor vehicle inventory of the new motor vehicle dealer as a  
14 consumer trade-in incident to the purchase of a new motor vehicle before or after the “Stop-Sale”  
15 or “Do-Not-Drive” order was issued; or

16 (3) Properly taken in the used motor vehicle inventory of the new motor vehicle dealer as  
17 a lease return vehicle returned to the new motor vehicle dealer before or after the “Stop-Sale” or  
18 “Do-Not-Drive” order was issued in accordance with the terms of the applicable contract.

19 (d) It shall be a violation of this section for a manufacturer, distributor, or factory branch  
20 to reduce the amount of compensation otherwise owed to a new motor vehicle dealer, whether  
21 through a chargeback; removal from an incentive program; reduction in amount owed under an  
22 incentive program; or any other means, because the new motor vehicle dealer has submitted a claim  
23 for reimbursement under this section, or was otherwise compensated for a vehicle subject to a recall  
24 where a “Stop-Sale,” or “Do-Not-Drive,” order has been issued.

25 (e) All reimbursement claims made by new motor vehicle dealers pursuant to this section  
26 for recall remedies or repairs, or for compensation where no part or repair is reasonably available  
27 and the vehicle is subject to a “Stop-Sale” or “Do-Not-Drive” order, shall be subject to the same  
28 limitations and requirements as a warranty reimbursement claim made under § 31-5.1-6. ~~Claims~~  
29 ~~shall be either approved or disapproved within thirty (30) days after they are submitted to the~~  
30 ~~manufacturer in the manner and on the forms the manufacturer reasonably prescribes. All claims~~  
31 ~~shall be paid within thirty (30) days of approval of the claim by the manufacturer. Any claim not~~  
32 ~~specifically disapproved in writing within thirty (30) days after the manufacturer receives a~~  
33 ~~properly submitted claim shall be deemed to be approved. In the alternative, a Δ manufacturer may~~  
34 compensate its franchised dealers under a national recall compensation program provided the

1 compensation under the program is equal to or greater than that provided under subsection (a) of  
2 this section or the manufacturer and dealer otherwise agree.

3 (f) Nothing in this section shall require a manufacturer, [distributor, or factory branch](#) to  
4 provide total compensation to a new motor vehicle dealer that would exceed the total average trade-  
5 in value of the affected used motor vehicle as determined under subsection (b) of this section.

6 (g) Any remedy provided to a dealer under this section is exclusive and may not be  
7 combined with any other state recall compensation remedy.

8 **31-5.1-8. Agreements.**

9 The provisions of this chapter shall apply to all written or oral agreements between a  
10 manufacturer, [distributor, or factory branch](#) and a motor vehicle dealer including, but not limited  
11 to, the franchise offering; the franchise agreement; sales of goods, services, or advertising; leases  
12 of mortgages of real or personal property; promises to pay; security interests; pledges; insurance  
13 contracts; advertising contracts; construction or installation contracts; servicing contracts; and all  
14 other agreements in which the manufacturer, wholesaler, ~~or~~ [distributor, or factory branch](#) has any  
15 direct or indirect interest.

16 **31-5.1-11. Sales to the state.**

17 In connection with a sale of a motor vehicle or vehicles to the state or to any political  
18 subdivision, no manufacturer, distributor, [factory branch](#) or wholesaler shall offer any discounts,  
19 refunds, or any other similar type of inducement to any dealer without making the same offer or  
20 offers to all other of its dealers within the relevant market area, and if any inducements are made,  
21 the manufacturer, distributor, [factory branch](#), or wholesaler shall give simultaneous notice to all of  
22 its dealers within the relevant market area.

23 **31-5.1-18. Transportation damages.**

24 (a) Notwithstanding the terms, provisions, or conditions of any agreement or franchise, the  
25 new motor vehicle dealer is solely liable for damages to new motor vehicles after acceptance from  
26 the carrier and before delivery to the ultimate purchaser.

27 (b) Notwithstanding the terms, provisions, or conditions of any agreement or franchise, the  
28 manufacturer, [distributor, or factory branch](#) is liable for all damages to motor vehicles before  
29 delivery to a carrier or transporter.

30 (c) The new motor vehicle dealer is liable for damages to new motor vehicles after delivery  
31 to the carrier only if the dealer selects the method of transportation, mode of transportation, and the  
32 carrier. In all other instances, the manufacturer, [distributor, or factory branch](#) is liable for carrier-  
33 related new motor vehicle damage.

34 (d) On any new motor vehicle, any uncorrected damage or any corrected damage exceeding

1 six percent (6%) of the manufacturer's, distributor's, or factory branch's suggested retail price, as  
2 defined in 26 U.S.C. § 4216 and measured by retail repair costs, must be disclosed in writing prior  
3 to delivery. Damage to glass, tires, and bumpers is excluded from the six percent (6%) rule when  
4 replaced by identical manufacturer's, distributor's, or factory branch's original equipment.

5 (e) Repaired damage to a customer ordered new motor vehicle, not exceeding the six  
6 percent (6%) rule, shall not constitute grounds for revocation of the customer order. The customer's  
7 right of revocation ceases upon his or her acceptance of delivery of the vehicle.

8 (f) If damage to a vehicle exceeds the six percent (6%) rule at either the time the new motor  
9 vehicle is accepted by the new motor vehicle dealer, or whenever the risk of loss is shifted to the  
10 dealer (as defined in subsection (c)), whichever occurs first, then the dealer may reject the vehicle  
11 within a reasonable time. Should the dealer elect to repair any damage exceeding the six percent  
12 (6%) rule, full disclosure shall be made by the dealer in writing to the customer and an  
13 acknowledgment by the customer is required. If there is less than six percent (6%) damage as  
14 described in subsection (d) of this section, no disclosure is required. Pre-delivery mechanical work  
15 shall not require a disclosure.

16 **31-5.1-19. Risk of loss.**

17 (a) If a new motor vehicle dealer determines the method of transportation, as defined in §  
18 31-5.1-18(c), then the risk of loss passes to the dealer upon delivery of the vehicle to the carrier.

19 (b) In every other instance, the risk of loss remains with the manufacturer, distributor, or  
20 factory branch until such time as the new motor vehicle dealer accepts the vehicle from the carrier.

21 **31-5.1-21. Promotional activities.**

22 (a) Upon filing of a claim, a manufacturer, ~~or~~ distributor, or factory branch shall  
23 compensate a dealer for any incentive or reimbursement program sponsored by the manufacturer,  
24 ~~or~~ distributor, or factory branch, under the terms of which the dealer is eligible for compensation.

25 (b)(1) A claim filed under this section shall be:

26 (i) In the manner and form prescribed by the manufacturer, ~~or~~ distributor, or factory branch;

27 and

28 (ii) Approved or disapproved within thirty (30) days of receipt.

29 (2) A claim not approved or disapproved within thirty (30) days of receipt shall be deemed  
30 approved.

31 (3) Payment of a claim filed under this section shall be made within thirty (30) days of  
32 approval.

33 (c)(1) If a claim filed under this section is shown by the manufacturer, ~~or~~ distributor, or  
34 factory branch to be false or unsubstantiated, the manufacturer, ~~or~~ distributor, or factory branch

1 may charge back the claim within one year from the date the claim was paid or credit issued or one  
2 year from the end of a manufacturer, distributor or factory branch program that does not exceed  
3 one year in length, whichever is later.

4 (i) A manufacturer, ~~or distributor,~~ or factory branch shall not charge back a claim based  
5 solely on a motor vehicle dealer's incidental failure to comply with a specific claim processing  
6 requirement, such as a clerical error or other administrative technicality that does not put into  
7 question the legitimacy of the claim after the motor vehicle dealer properly resubmits the claim in  
8 accordance with the manufacturer's, ~~distributor's,~~ or factory branch's submission guidelines.

9 (ii) A dealer shall have no less than sixty (60) days from the date of notification by a  
10 manufacturer, ~~or distributor,~~ or factory branch of a charge back to the dealer to resubmit a claim  
11 for payment or compensation if the claim was denied for a dealer's incidental failure as set forth in  
12 subsection (c)(1)(ii) whether the chargeback was a direct or an indirect transaction.

13 (2) This paragraph does not limit the right of a manufacturer, ~~or distributor,~~ or factory  
14 branch to charge back for any claim that is proven fraudulent.

15 SECTION 2. This act shall take effect on October 1, 2026.

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LC005026/SUB A  
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EXPLANATION  
BY THE LEGISLATIVE COUNCIL  
OF

A N A C T

RELATING TO MOTOR AND OTHER VEHICLES -- REGULATION OF BUSINESS  
PRACTICES AMONG MOTOR VEHICLE MANUFACTURERS, DISTRIBUTORS, AND  
DEALERS

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1           This act would extend certain protocols applicable to motor vehicle manufacturers to their  
2 distributors and factory branches, as well as update warranty reimbursement and recall obligation  
3 policies.

4           This act would take effect on October 1, 2026.

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LC005026/SUB A  
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