



WISCONSIN LEGISLATIVE COUNCIL ACT MEMO

2003 Wisconsin Act 76 [2003 Senate Bill 234]	Wholesale Motor Vehicle Dealers
2003 Acts: www.legis.state.wi.us/2003/data/acts/	Act Memos: www.legis.state.wi.us/lc/act_memo/act_memo.htm

Under **prior law**, the definition of “distributor” or “wholesaler,” for purposes of that part of ch. 218, Stats., relating to motor vehicle dealers and salespersons, was a combined one.

The Act creates a new definition of “wholesaler” or “wholesaler dealer” to mean a person, other than a licensed motor vehicle dealer or licensed motor vehicle auction dealer, who does **any of the following**: (1) sells more than five used motor vehicles in any 12-month period to one or more motor vehicle dealers, motor vehicle auction dealers, or salvage dealers; (2) except for the exception below, purchases used motor vehicles from a motor vehicle dealer or at a motor vehicle auction for the purpose of selling the vehicles to a motor vehicle dealer, motor vehicle auction, or wholesaler; or (3) except for the exception below, purchases used motor vehicles on behalf of a motor vehicle dealer.

The **exception** is that a person is not a wholesaler or a wholesale dealer if: (1) the person is employed by and receives compensation from only one motor vehicle dealer for services relating to the sale or purchase of motor vehicles; and (2) the person conducts all financial transactions involving the sale or purchase of motor vehicles in the name of the motor vehicle dealer that employs him or her, under the supervision of the motor vehicle dealer that employs him or her, and using motor vehicle dealer’s funds or financial accounts.

DEALER OR APPLICANT BOND REQUIREMENT

Under **prior law**, a motor vehicle dealer or an applicant for a motor vehicle dealer license was required to provide and maintain in force a bond or irrevocable letter of credit of **not less than \$25,000**.

The **Act**: (1) increases, for motor vehicle dealers and applicants for motor vehicle dealer licenses, the maximum amount of the bond or letter of credit to **not less than \$50,000**; and (2) creates a new bond or letter of credit provision applicable to a wholesaler or a wholesale dealer or an applicant for

This memo provides a brief description of the Act. For more detailed information, consult the text of the law and related legislative documents.

such a license, specifying that such an entity is required to provide and maintain in force a bond or irrevocable letter of credit of **not less than \$25,000**.

BOND WHERE LICENSOR HAS CAUSE TO DOUBT FINANCIAL RESPONSIBILITY OF APPLICANT OR LICENSEE

Under **prior law**, if the licensor had reasonable cause to doubt the financial responsibility of the applicant or licensee or the compliance by the applicant or licensee with statutory requirements, the licensor could require the applicant or licensee to furnish and maintain a bond of not less than \$5,000 nor more than \$100,000, conditioned upon the applicant or licensee complying with the applicable statutes and as indemnity for any loss sustained by any person by reason of any acts of the licensee constituting grounds for suspension or revocation of license under these applicable statutory requirements. The bonds were required to be executed in the name of the Department of Transportation for the benefit of “**any aggrieved parties.**”

The **Act**: (1) in the provision relating to the amount of the bond, adds the term “additional” before “bond” so that the provision specifies that the licensor may require the applicant or licensee to furnish and maintain an **additional** bond of not less than \$5,000 nor more than \$100,000; and (2) replaces the phrase “any aggrieved parties” so that the provision specifies that the bonds be executed for the benefit of “**any aggrieved person who sustains a loss because of an act of the licensee that constitutes grounds for the suspension or revocation of his or her license under ss. 218.0101 to 218.0163.**”

Effective Date: The Act takes effect on November 27, 2003.

Prepared by: Don Salm, Senior Staff Attorney

January 22, 2004

DLS:jal;wu