

SENATE
STATE OF MINNESOTA
NINETY-FIRST SESSION

S.F. No. 1627

(SENATE AUTHORS: WIGER)

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Introduction and first reading
 Referred to Commerce and Consumer Protection Finance and Policy

OFFICIAL STATUS

- 1.1 A bill for an act
- 1.2 relating to commerce; modifying new motor vehicle warranties; amending
- 1.3 Minnesota Statutes 2018, section 325F.665, subdivisions 1, 3.
- 1.4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:
- 1.5 Section 1. Minnesota Statutes 2018, section 325F.665, subdivision 1, is amended to read:
- 1.6 Subdivision 1. **Definitions.** (a) For the purposes of this section, the terms in ~~paragraphs~~
- 1.7 ~~(b) to (i)~~ this subdivision have the meanings given them.
- 1.8 (b) "Consumer" means the purchaser or lessee, other than for purposes of resale or
- 1.9 sublease, of a new motor vehicle used for personal, family, or household purposes at least
- 1.10 40 percent of the time, and a person to whom the new motor vehicle is transferred for the
- 1.11 same purposes during the duration of an express warranty applicable to the motor vehicle.
- 1.12 The term also includes an ambulance service licensed under chapter 144E that has purchased
- 1.13 or leased a new motor vehicle of the type specified in paragraph (f), and a person to whom
- 1.14 the ambulance is transferred for the same purpose during the duration of any applicable
- 1.15 express warranty.
- 1.16 (c) "Manufacturer" means a person engaged in the business of manufacturing, assembling
- 1.17 or distributing motor vehicles, who will, under normal business conditions during the year,
- 1.18 manufacture, assemble or distribute to dealers at least ten new motor vehicles.
- 1.19 (d) "Manufacturer's express warranty" and "warranty" mean the written warranty of the
- 1.20 manufacturer of a new motor vehicle of its condition and fitness for use, including any terms
- 1.21 or conditions precedent to the enforcement of obligations under that warranty.

(e) "Lease" means a contract in the form of a lease or bailment for the use of personal property by a natural person for a period of time exceeding four months, used for personal, family, or household purposes at least 40 percent of the time, whether or not the lessee has the option to purchase or otherwise become the owner of the property at the expiration of the lease.

(f) "Motor vehicle" means (1) a passenger automobile as defined in section 168.002, subdivision 24, including pickup trucks and vans, (2) the self-propelled motor vehicle chassis or van portion of a recreational vehicle as defined in section 168.002, subdivision 27, which is sold or leased to a consumer in this state, and (3) the self-propelled motor vehicle chassis or van portion of an ambulance as defined in section 144E.001, subdivision 2.

(g) "Informal dispute settlement mechanism" means an arbitration process or procedure by which the manufacturer attempts to resolve disputes with consumers regarding motor vehicle nonconformities and repairs that arise during the vehicle's warranty period.

(h) "Motor vehicle lessor" means a person who holds title to a motor vehicle leased to a lessee under a written lease agreement or who holds the lessor's rights under such agreement.

(i) "Early termination costs" means expenses and obligations incurred by a motor vehicle lessor as a result of an early termination of a written lease agreement and surrender of a motor vehicle to a manufacturer under subdivision 4, including penalties for prepayment of finance arrangements.

(j) "Standard maintenance" means the change, adjustment, or replacement of a motor vehicle's oils, fluids, tires, batteries, and filters.

EFFECTIVE DATE. This section is effective August 1, 2019, and applies to new motor vehicles sold on or after that date.

Sec. 2. Minnesota Statutes 2018, section 325F.665, subdivision 3, is amended to read:

Subd. 3. **Manufacturer's duty to refund or replace.** (a) If the manufacturer, its agents, or its authorized dealers are unable to conform the new motor vehicle to any applicable express warranty by repairing or correcting any defect or condition which substantially impairs the use or market value of the motor vehicle to the consumer after a reasonable number of attempts, the manufacturer shall either replace the new motor vehicle with a comparable motor vehicle or accept return of the vehicle from the consumer and refund to the consumer the full purchase price, including the cost of any options or other modifications arranged, installed, or made by the manufacturer, its agent, or its authorized dealer within

30 days after the date of original delivery, and all other charges including, but not limited to, sales or excise tax, license fees and registration fees, reimbursement for towing and rental vehicle expenses incurred by the consumer as a result of the vehicle being out of service for warranty repair, less a reasonable allowance for the consumer's use of the vehicle not exceeding ten cents per mile driven or ten percent of the purchase price, whichever is less. If the manufacturer offers a replacement vehicle under this section, the consumer has the option of rejecting the replacement vehicle and requiring the manufacturer to provide a refund. Refunds must be made to the consumer, and lienholder, if any, as their interests appear on the records of the registrar of motor vehicles. Refunds shall include the amount stated by the dealer as the trade-in value of a consumer's used motor vehicle, plus any additional amount paid by the consumer for the new motor vehicle. A manufacturer must give to the consumer an itemized statement listing each of the amounts refunded under this section. If the amount of sales or excise tax refunded is not separately stated, or if the manufacturer does not apply for a refund of the tax within one year of the return of the motor vehicle, the Department of Public Safety may refund the tax, as determined under paragraph (h), directly to the consumer and lienholder, if any, as their interests appear on the records of the registrar of motor vehicles. A reasonable allowance for use is that amount directly attributable to use by the consumer and any previous consumer during any period in which the use and market value of the motor vehicle are not substantially impaired. It is an affirmative defense to any claim under this section (1) that an alleged nonconformity does not substantially impair the use or market value, or (2) that a nonconformity is the result of abuse, neglect, or unauthorized modifications or alterations, not including standard maintenance, of a motor vehicle by anyone other than the manufacturer, its agent or its authorized dealer.

(b) It is presumed that a reasonable number of attempts have been undertaken to conform a new motor vehicle to the applicable express warranties, if (1) the same nonconformity has been subject to repair four or more times by the manufacturer, its agents, or its authorized dealers within the applicable express warranty term or during the period of two years following the date of original delivery of the new motor vehicle to a consumer, whichever is the earlier date, but the nonconformity continues to exist, or (2) the vehicle is out of service by reason of repair for a cumulative total of 30 or more business days during the term or during the period, whichever is the earlier date.

(c) If the nonconformity results in a complete failure of the braking or steering system of the new motor vehicle and is likely to cause death or serious bodily injury if the vehicle is driven, it is presumed that a reasonable number of attempts have been undertaken to

conform the vehicle to the applicable express warranties if the nonconformity has been subject to repair at least once by the manufacturer, its agents, or its authorized dealers within the applicable express warranty term or during the period of two years following the date of original delivery of the new motor vehicle to a consumer, whichever is the earlier date, and the nonconformity continues to exist.

(d) The term of an applicable express warranty, the two-year period and the 30-day period shall be extended by any period of time during which repair services are not available to the consumer because of a war, invasion, strike, or fire, flood, or other natural disaster.

(e) The presumption contained in paragraph (b) applies against a manufacturer only if the manufacturer, its agent, or its authorized dealer has received prior written notification from or on behalf of the consumer at least once and an opportunity to cure the defect alleged. If the notification is received by the manufacturer's agent or authorized dealer, the agent or dealer must forward it to the manufacturer by certified mail, return receipt requested.

(f) The expiration of the time periods set forth in paragraph (b) does not bar a consumer from receiving a refund or replacement vehicle under paragraph (a) if the reasonable number of attempts to correct the nonconformity causing the substantial impairment occur within three years following the date of original delivery of the new motor vehicle to a consumer, provided the consumer first reported the nonconformity to the manufacturer, its agent, or its authorized dealer during the term of the applicable express warranty.

(g) At the time of purchase or lease, the manufacturer must provide directly to the consumer a written statement on a separate piece of paper, in 10-point all capital type, in substantially the following form: "IMPORTANT: IF THIS VEHICLE IS DEFECTIVE, YOU MAY BE ENTITLED UNDER THE STATE'S LEMON LAW TO REPLACEMENT OF IT OR A REFUND OF ITS PURCHASE PRICE OR YOUR LEASE PAYMENTS. HOWEVER, TO BE ENTITLED TO REFUND OR REPLACEMENT, YOU MUST FIRST NOTIFY THE MANUFACTURER, ITS AGENT, OR ITS AUTHORIZED DEALER OF THE PROBLEM IN WRITING AND GIVE THEM AN OPPORTUNITY TO REPAIR THE VEHICLE. YOU ALSO HAVE A RIGHT TO SUBMIT YOUR CASE TO THE CONSUMER ARBITRATION PROGRAM WHICH THE MANUFACTURER MUST OFFER IN MINNESOTA."

(h) The amount of the sales or excise tax to be paid by the manufacturer to the consumer under paragraph (a) shall be the tax paid by the consumer when the vehicle was purchased less an amount equal to the tax paid multiplied by a fraction, the denominator of which is

5.1 the purchase price of the vehicle and the numerator of which is the allowance deducted
5.2 from the refund for the consumer's use of the vehicle.

5.3 **EFFECTIVE DATE.** This section is effective August 1, 2019, and applies to new motor
5.4 vehicles sold on or after that date.