CHAPTER 422—S.F.No. 2179

An act relating to commerce; consumer protection; requiring the repair, refund, or replacement of new motor vehicles and new farm tractors under certain circumstances; prescribing certain settlement procedures; amending Minnesota Statutes 1984, section 325F.665, as amended; proposing coding for new law in Minnesota Statutes, chapter 325F.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

ARTICLE 1

Section 1. Minnesota Statutes 1984, section 325F.665, as amended by Laws 1985, chapter 284, section 1, is amended to read:

325F.665 NEW MOTOR VEHICLE WARRANTIES; MANUFACTURER'S DUTY TO REPAIR, REFUND, OR REPLACE.

Subdivision 1. **DEFINITIONS.** For the purposes of this section, the following terms have the meanings given them:

- (a) "consumer" means the purchaser or lessee, other than for purposes of resale or sub-lease, of a new motor vehicle used for personal, family, or household purposes at least 40 percent of the time, a person to whom the new motor vehicle is transferred for the same purposes during the duration of an express warranty applicable to the motor vehicle, and any other person entitled by the terms of the warranty to enforce the obligations of the warranty;
- (b) "manufacturer" means a person engaged in the business of manufacturing, assembling or distributing motor vehicles, who will, under normal business conditions during the year, manufacture, assemble or distribute to dealers at least ten new motor vehicles;
- (c) "manufacturer's express warranty" and "warranty" mean the written warranty of the manufacturer of a new motor vehicle of its condition and fitness for use, including any terms or conditions precedent to the enforcement of obligations under that warranty; and
- (d) "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;
- (e) "motor vehicle" means (1) a passenger automobile as defined in section 168.011, subdivision 7, including pickup trucks and vans, and (2) the self-propelled motor vehicle chassis or van portion of recreational equipment as defined in section 168.011, subdivision 25, which is sold or leased to a consumer in this state;

- (f) "informal dispute settlement procedure or 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;
- (g) "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;
- (h) "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 and investment tax credits not allowed for the year in which such termination occurs and for prior years; and
- (i) "early termination savings" means expenses and obligations avoided 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 the interest charges the motor vehicle lessor would have otherwise paid to finance the motor vehicle.
- Subd. 2. MANUFACTURER'S DUTY TO REPAIR. If a new motor vehicle does not conform to all applicable express warranties, and the consumer reports the nonconformity to the manufacturer, its agent, or its authorized dealer during the term of the express warranties or during the period of one year following the date of original delivery of the new motor vehicle to a consumer, whichever is the earlier date, the manufacturer, its agent, or its authorized dealer shall make the repairs necessary to conform the vehicle to the express warranties, notwithstanding the fact that the repairs are made after the expiration of the warranty term or the one-year period.
- 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, at the consumer's option, 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, or the total amount actually paid by the consumer under any vehicle lease, 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 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 or full lease cost of the vehicle, whichever is less. 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. For a lease vehicle, refunds shall include the total amount actually paid by the consumer under any vehicle lease, less any finance charges paid by the consumer. A reasonable allowance for use is that amount directly attributable to use by the consumer and any previous consumer prior to his or her first report of the nonconformity to the manufacturer, agent, or dealer and during any subsequent period when the vehicle is not out of service by reason of repair. 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 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 express warranty term or during the period of one year following the date of original delivery of the 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 eenformity nonconformity has been subject to repair at least once by the manufacturer, its agents, or its authorized dealers within the express warranty term or during the period of one year following the date of original delivery of the motor vehicle to a consumer, whichever is the earlier date, and the nonconformity continues to exist.
- (d) The term of an express warranty, the one-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) A consumer is eligible to receive a refund or replacement vehicle under this section if the nonconformity is reported to the manufacturer, its authorized agent or dealer, at any time during the motor vehicle's express warranty period, even if the motor vehicle's express warranty expires before the requirements of paragraphs (a), (b), and (c) have been met.
- (g) At the time of purchase 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 STATE LAW TO REPLACEMENT OF IT OR A REFUND OF ITS PURCHASE PRICE. 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."
- Subd. 4. MANUFACTURER'S DUTY TO CONSUMERS WITH LEASED VEHICLES. A manufacturer has the same duties under this section to a consumer who leases a motor vehicle as to a consumer who purchases a new motor vehicle. The lessee has the same rights against the manufacturer under this section as does the owner of the motor vehicle, and the consumer may enforce the rights directly against the manufacturer. If it is determined that a consumer who leases a motor vehicle is entitled to a refund or replacement vehicle pursuant to this section, the consumer's leased vehicle shall be returned to the manufacturer. The manufacturer shall provide the owner of the leased vehicle with either a full refund or a replacement vehicle. The owner of the returned leased vehicle shall then provide the consumer with either the replacement vehicle or that portion of the owner's refund to which the consumer is entitled under this section.

Nothing contained in this section shall prohibit a motor vehicle lessor from recovering early termination costs incurred or early termination savings received pursuant to this section.

- Subd. 5. RESALE OR RE-LEASE OF RETURNED MOTOR VEHICLE.
 (a) If a motor vehicle has been returned under the provisions of subdivision 3 or a similar statute of another state, whether as the result of a legal action or as the result of an informal dispute settlement proceeding, it may not be resold or re-leased in this state unless:
- (1) the manufacturer provides the same express warranty it provided to the original purchaser, except that the term of the warranty need only last for 12,000 miles or 12 months after the date of resale, whichever is earlier; and
- (2) the manufacturer provides the consumer with a written statement on a separate piece of paper, in ten point all capital type, in substantially the following form: "IMPORTANT: THIS VEHICLE WAS RETURNED TO THE MANUFACTURER BECAUSE IT DID NOT CONFORM TO THE MANUFACTURER'S EXPRESS WARRANTY AND THE NONCONFORMITY WAS

NOT CURED WITHIN A REASONABLE TIME AS PROVIDED BY MINNESOTA LAW."

The provisions of this section apply to the resold <u>or re-leased</u> motor vehicle for full term of the warranty required under this subdivision.

- (b) Notwithstanding the provisions of paragraph (a), if a new motor vehicle has been returned under the provisions of subdivision 3 or a similar statute of another state because of a nonconformity resulting in a complete failure of the braking or steering system of the motor vehicle likely to cause death or serious bodily injury if the vehicle was driven, the motor vehicle may not be resold in this state.
- Subd. 5 6. ALTERNATIVE DISPUTE SETTLEMENT PROCEDURE. (a) If a manufacturer has established, or participates in, an informal dispute settlement procedure which substantially complies with the provisions of the Code of Federal Regulations, title 16, part 703 (1982), and the requirements of this section, the provisions of subdivision 3 concerning refunds or replacement do not apply to a consumer who has not first used this procedure.
- (b) The findings and decisions in an informal dispute resolution proceeding settlement procedure shall address and state in writing whether the consumer would be entitled to a refund or replacement under the presumptions and criteria set out in subdivision 3, and are admissible as nonbinding evidence in any legal action and are not subject to further foundation requirements.
- (c) If, in an informal dispute settlement procedure, it is decided that a consumer is entitled to a replacement vehicle under subdivision 3, then the consumer has the option of selecting and receiving either a replacement vehicle or a full refund as authorized by subdivision 3. Any refund selected by a consumer shall include all amounts authorized by subdivision 3.
- (d) In any informal dispute settlement procedure provided for by this section:
- (1) No documents shall be received by any informal dispute settlement mechanism unless those documents have been provided to each of the parties in the dispute prior to the mechanism's meeting, with an opportunity for the parties to comment on the documents in writing, or with oral presentation at the request of the mechanism.
- (2) "Nonvoting" manufacturer or dealer representatives shall not attend or participate in the informal dispute settlement procedures unless the consumer is also present and given a chance to be heard, or unless the consumer previously consents to the manufacturer or dealer participation without the consumer's presence and participation.
- (3) Consumers shall be given an adequate opportunity to contest a manufacturer's assertion that a nonconformity falls within intended specifications for the

vehicle by having the basis of the manufacturer's claim appraised by a technical expert selected and paid for by the consumer prior to the informal dispute settlement hearing.

- (4) No disputes shall be heard where there has been a recent attempt by the manufacturer to repair a consumer's vehicle, but no response has yet been received by the informal dispute mechanism from the consumer as to whether the repairs were successfully completed. This provision shall not prejudice a consumer's rights under this section.
- (5) The manufacturer shall provide and the informal dispute settlement mechanism shall consider any relevant technical service bulletins which may have been issued by the manufacturer or lessor regarding the motor vehicle being disputed.
- Subd. 7. EXHAUSTION OF SETTLEMENT REMEDY. No consumer shall be required to first participate in an informal dispute settlement procedure before filing an action in district court if the informal dispute settlement procedure does not comply with the requirements of this section, notwithstanding the procedure's compliance with the Code of Federal Regulations, title 16, part 703.
- Subd. 6 8. CIVIL REMEDY. Any consumer injured by a violation of this section may bring a civil action to enforce this section and recover costs and disbursements, including reasonable attorney's fees.
- Subd. 7 9. LIMITATION ON ACTIONS. An action brought under this section must be commenced within six months of the expiration of the express warranty term, or within one year of the date of original delivery of the new motor vehicle to a consumer date the motor vehicle's express warranty term expires, the date a consumer is eligible under this section to bring an action in district court, or the date a consumer receives written notice of the final decision by the informal dispute settlement mechanism, whichever is the later date.
- Subd. & 10. **REMEDY NONEXCLUSIVE.** Nothing in this section limits the rights or remedies which are otherwise available to a consumer under any other law.

Sec. 2. EFFECTIVE DATE.

Section 1 is effective August 1, 1986, and applies to all leased vehicles which are still under an express manufacturer's warranty and were originally delivered during the previous one-year period.

ARTICLE 2

FARM EQUIPMENT WARRANTY COMPLIANCE

Section 1. [325F.6651] DEFINITIONS.

- <u>Subdivision</u> 1. APPLICATION. For the purpose of sections 1 to 8, the following terms have the meanings given them.
- Subd. 2. FARM TRACTOR. "Farm tractor" means any self-propelled vehicle which is designed primarily for pulling or propelling agricultural machinery and implements and is used principally in the occupation or business of farming, including an implement of husbandry, as defined in section 169.01, subdivision 55, that is self-propelled.
- Subd. 3. CONSUMER. "Consumer" means a purchaser, other than for purposes of resale, of a new farm tractor, a person to whom the new farm tractor is transferred for the same purposes during the duration of an express warranty applicable to the farm tractor and any other person entitled by the terms of the warranty to enforce the terms of the warranty. In the case of an agricultural vehicle within the warranty period, the sale must be made through an authorized farm equipment dealer.
- <u>Subd. 4.</u> MANUFACTURER. "Manufacturer" means a person engaged in the business of manufacturing, assembling, or distributing farm tractors, who under normal business conditions during the year, manufactures, assembles, or distributes to dealers at least ten new farm tractors.
- Subd. 5. MANUFACTURER'S EXPRESS WARRANTY; WARRANTY. "Manufacturer's express warranty" and "warranty" mean the written warranty of the manufacturer of a new farm tractor of its condition and fitness for use, including any terms or conditions precedent to the enforcement of obligations under that warranty.
- <u>Subd.</u> <u>6.</u> FAIR RENTAL VALUE. <u>"Fair rental value" means the rental value calculated in accordance with the "Tractor and Farm Equipment Trade-In Guide" published by the national farm and power equipment dealers association.</u>
- <u>Subd. 7.</u> NONCONFORMITY. "Nonconformity" means any condition of the farm tractor that makes it impossible to use for the purpose for which it was intended.
- <u>Subd. 8.</u> REASONABLE ALLOWANCE FOR PRIOR USE. <u>"Reasonable allowance for prior use" shall mean no less than the fair rental value of the farm tractor and shall be the sum of:</u>
- (1) that amount attributable to use by the consumer prior to the consumer's first report of the nonconformity to the manufacturer or its authorized dealers;
- (2) that amount attributable to use by the consumer during any period subsequent to such report of the reported nonconformity; and
- (3) that amount attributable to use by the consumer of the farm tractor provided by the manufacturer or its authorized dealers while the farm tractor is out of service by reason of repair of the reported nonconformity.

Sec. 2. [325F.6652] NOTICE TO CONSUMER.

At the time of purchase 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 STATE LAW TO REPLACEMENT OF IT OR A REFUND OF ITS PURCHASE PRICE. 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."

Sec. 3. [325F.6653] MANUFACTURER'S DUTY TO REPAIR.

If a farm tractor does not conform to applicable express written warranties and the consumer reports the nonconformity to the manufacturer and its authorized dealer during the term of the express written warranties or during the period of one year following the date of the original delivery of the farm tractor to the consumer, whichever is earlier, the manufacturer or its authorized dealers shall make the repairs necessary to make the farm tractor conform to the express written warranties, notwithstanding that the repairs are made after the expiration of the warranty term or the one-year period. For a self-propelled vehicle this section is limited to warranties on the engine and power train.

Sec. 4. [325F.6654] MANUFACTURER'S DUTY TO REFUND OR REPLACE.

Subdivision 1. DUTY. (a) If the manufacturer or its authorized dealers are unable to make the farm tractor conform to any applicable express written warranty by repairing or correcting any condition which substantially impairs the use or market value of the farm tractor to the consumer within the time periods and after the number of attempts specified in subdivision 2, the manufacturer, through its authorized dealer who sold the farm tractor, shall, at the option of the consumer, replace the farm tractor with a comparable one, charging the consumer only a reasonable allowance for the consumer's use of the farm tractor, or accept the return of the farm tractor from the consumer and refund to the consumer the cash purchase price, including sales tax, license fees, registration fees, and any similar governmental charges, less a reasonable allowance for prior use. Refunds shall be made to the consumer and lienholder, if any, as their interests may appear in the county recorder's office. If no replacement or refund is made, the consumer may bring a civil action to enforce the obligation. No action may be brought unless the manufacturer has received prior direct written notification from or on behalf of the consumer and has been offered an opportunity to cure the condition alleged within a reasonable time that is not to exceed 60 business days.

(b) For a self-propelled vehicle, this section is limited to warranties on the engine and power train.

Subd. 2. WHEN DUTY ARISES. The replacement or refund obligation specified in subdivision 1 shall arise if the manufacturer or its authorized dealers are unable to make the farm tractor conform to applicable express written warranties within the express written warranty term or during the period of one year following the date of the original physical delivery of the farm tractor to the consumer, whichever is the earlier date, and (1) the same nonconformity has been subject to repair four or more times by the manufacturer or its authorized dealers, but such nonconformity continues to exist; or (2) the farm tractor is out of service by reason of repair of the same nonconformity for a cumulative total of 60 or more business days when the service department of the authorized dealer in possession of the farm tractor is open for purposes of repair, provided that days when the consumer has been provided by the manufacturer or its authorized dealers with the use of another farm tractor which performs the same function shall not be counted.

Sec. 5. [325F.6655] EXTENSION OF WARRANTY.

The terms of any express written warranty, the one-year period, and the 60-day repair period shall be extended by any period of time during which repair services or replacement parts are not available to the consumer because of a war, invasion, or strike, or fire, flood, or other natural disaster.

Sec. 6. [325F.6656] ALTERNATIVE DISPUTE SETTLEMENT.

Subdivision 1. PROCEDURE. If a manufacturer has established, or participates in, an informal dispute settlement procedure which substantially complies with the provisions of the Code of Federal Regulations, title 16, part 703, as amended, and the requirements of this section, the provisions of section 4 concerning refunds or replacement do not apply to a consumer who has not first used this procedure.

- Subd. 2. FINDINGS AS EVIDENCE. The findings and decisions in an informal dispute settlement procedure shall address and state in writing whether the consumer would be entitled to a refund or replacement under the presumptions and criteria set out in section 4, and are admissible as nonbinding evidence in any legal action and are not subject to further foundation requirements.
- Subd. 3. REPLACEMENT OR REFUND. If, in an informal dispute settlement procedure, it is decided that a consumer is entitled to a replacement vehicle under section 4, then the consumer has the option of selecting and receiving either a replacement vehicle or a full refund as authorized by section 4. Any refund selected by a consumer shall include all amounts authorized by section 4.
- Subd. 4. REQUIREMENTS. (a) In any informal dispute settlement procedure provided for by this section:
- (1) no documents shall be received by any informal dispute settlement mechanism unless those documents have been provided to each of the parties in the dispute prior to the mechanism's meeting, with an opportunity for the

parties to comment on the documents in writing, or with oral presentation at the request of the mechanism;

- (2) "nonvoting" manufacturer or dealer representatives shall not attend or participate in the internal dispute settlement procedures unless the consumer is also present and given a chance to be heard, or unless the consumer previously consents to the manufacturer or dealer participation without the consumer's presence and participation;
- (3) consumers shall be given an adequate opportunity to contest a manufacturer's assertion that a nonconformity falls within intended specifications for the vehicle by having the basis of the manufacturer's claim appraised by a technical expert selected and paid for by the consumer prior to the informal dispute settlement hearing;
- (4) no disputes shall be heard where there has been a recent attempt by the manufacturer to repair a consumer's vehicle, but no response has yet been received by the informal dispute mechanism from the consumer as to whether the repairs were successfully completed. This provision shall not prejudice a consumer's rights under this section nor shall it extend the informal dispute mechanism's 40-day time limit for deciding disputes, as established by the Code of Federal Regulations, title 16, part 703; and
- (5) the manufacturer shall provide and the informal dispute settlement mechanism shall consider all information relevant to resolving the dispute, such as the prior dispute records and information required by the Code of Federal Regulations, title 16, part 703.6, and any relevant technical service bulletins which may have been issued by the manufacturer or lessor regarding the motor vehicle being disputed.
- (b) A settlement reached under this section is binding on all participating parties.
- Subd. 5. EXHAUSTION OF SETTLEMENT REMEDY. No consumer shall be required to first participate in an informal dispute settlement procedure before filing an action in district court if the informal dispute settlement procedure does not comply with the requirements of this section, notwithstanding the procedure's compliance with the Code of Federal Regulations, title 16, part 703.
- Subd. 6. CIVIL REMEDY. Any consumer injured by a violation of this section may bring a civil action to enforce this section and recover costs and disbursements, including reasonable attorney's fees.

Sec. 7. [325F.6657] AFFIRMATIVE DEFENSES.

It shall be an affirmative defense to claim under sections 1 to 8 that (1) an alleged nonconformity does not substantially impair such use and market value, or (2) a nonconformity is the result of abuse or neglect, or of modifications or alterations of the farm tractor not authorized by the manufacturer.

Sec. 8. [325F.6658] LIMITATION ON ACTIONS.

Any action brought under sections 1 to 8 shall be commenced within six months following (1) expiration of the express written warranty term, or (2) one year following the date of the original delivery of the farm tractor to the customer, whichever is later.

Sec. 9. [325F.6659] REMEDY NONEXCLUSIVE.

Nothing in this section limits the rights or remedies which are otherwise available to a consumer under any other law.

Sec. 10. EFFECTIVE DATE.

Sections 1 to 9 apply to farm tractors sold after the first day of January following the effective date of sections 1 to 9.

Approved March 24, 1986

CHAPTER 423-H.F.No. 450

An act relating to children; establishing a state children's trust fund for the prevention of child abuse and neglect; establishing an advisory council to assist the commissioner of public safety in administering the fund; creating a surcharge on certified copies of birth certificates to fund the trust fund; appropriating money; amending Minnesota Statutes 1984, section 144.226, by adding a subdivision; proposing coding for new law in Minnesota Statutes, chapter 116K.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. [299A.20] CITATION.

Sections 2 to 7 may be cited as the "children's trust fund for the prevention of child abuse act."

Sec. 2. [299A.21] DEFINITIONS.

<u>Subdivision</u> 1. **APPLICABILITY.** The <u>definitions in this section apply to sections 1 to 9.</u>

- Subd. 2. ACT. "Act" means the children's trust fund for the prevention of child abuse act.
- <u>Subd.</u> 3. ADVISORY COUNCIL. "Advisory council" means the advisory council established under section 4.
 - Subd. 4. CHILD. "Child" means a person under 18 years of age.