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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 797

01/25/2023 Authored by Tabke and Stephenson The bill was read for the first time and referred to the Committee on Commerce Finance and Policy

1.1 A bill for an act
1.2 relating to commerce; modifying motor vehicle warranty labor compensation;
1.3 amending Minnesota Statutes 2022, section 80E.041, subdivision 4.

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

1.5 Section 1. Minnesota Statutes 2022, section 80E.041, subdivision 4, is amended to read:

1.6 Subd. 4. Retail rate for labor. (a) Compensation for warranty labor must equal the
1.7 dealer's effective nonwarranty labor rate multiplied by the time allowances recognized by
1.8 the manufacturer to compensate its dealers for warranty work guide used by the dealer for
1.9 nonwarranty customer-paid service repair orders. The effective nonwarranty labor rate is
1.10 determined by dividing the total customer labor charges for qualifying nonwarranty repairs
1.11 in the repair orders submitted under subdivision 2 by the total number of labor hours that
1.12 generated those sales. Compensation for warranty labor must include ~~reasonable~~ all diagnostic
1.13 time for repairs performed under this section and must not be less than the time charged to
1.14 retail customers for the same or similar work performed.

1.15 (b) A manufacturer may disapprove a dealer's effective nonwarranty labor rate if:

1.16 (1) the disapproval is provided to the dealer in writing;

1.17 (2) the disapproval is sent to the dealer within 30 days of the submission of the effective
1.18 nonwarranty labor rate by the dealer to the manufacturer;

1.19 (3) the disapproval includes a reasonable substantiation that the effective nonwarranty
1.20 labor rate submission is inaccurate, incomplete, or unreasonable in light of a comparison
1.21 to the retail rate charged by other similarly situated franchised motor vehicle dealers in a
1.22 comparable geographic area in the state offering the same line-make vehicles; and

2.1 (4) the manufacturer proposes an adjustment of the effective nonwarranty labor rate.

2.2 (c) If a manufacturer fails to approve or disapprove the rate within this time period, the
2.3 rate is approved. If a manufacturer disapproves a dealer's effective nonwarranty labor rate,
2.4 and the dealer does not agree to the manufacturer's proposed adjustment, the parties shall
2.5 use the manufacturer's internal dispute resolution procedure, if any, within a reasonable
2.6 time after the dealer notifies the manufacturer of their failure to agree. If the manufacturer's
2.7 internal dispute resolution procedure is unsuccessful, or if the procedure is not implemented
2.8 within a reasonable time after the dealer notifies the manufacturer of their failure to agree,
2.9 the dealer may use the civil remedies available under section 80E.17. A dealer must file a
2.10 civil suit under section 80E.17, as permitted by this subdivision, within 60 days of receiving
2.11 the manufacturer's proposed adjustment to the effective nonwarranty labor rate, or the
2.12 conclusion of the manufacturer's internal dispute resolution procedure, whichever is later.