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To Salvage Title Task Force Members
From Matt Burress, Legislative Analyst
Lexi Stangl, Senate Counsel
Subject Revised task force bill draft

This memo accompanies a revised bill draft, MB069-6, that is based on direction provided in the latest task force meeting as well as input from the Department of Public Safety. The department has reviewed the language and as we understand it, does not have concerns on technical or clarity grounds.

The core policy changes in the draft are to (1) address title washing loopholes by requiring a "salvage" or "prior salvage" brand on all vehicles that are acquired by an insurance company as a total loss or that incur damages over an 80% of vehicle value threshold; (2) require written disclosure of vehicle brands, flooding, or other prior damage; and (3) extend the title branding and disclosure requirements to commercial vehicles as well as motorcycles. The changes eliminate scenarios where a vehicle that is neither high-value nor late-model can end up with a "clear" title as well as treat in-state and out-of-state vehicles in a consistent manner.

The following highlights key changes from the prior draft (MB069-1) that was circulated earlier this month, and notes some department recommendations that have not been included.

- **The draft uses "prior salvage" brand instead of a new "insurance loss" brand.** The shift in brand (applied to damaged vehicles that are neither high-value nor late-model) was a core change suggested by the department and discussed by the task force (to better align with national standards and best practices).
- **Commercial vehicles and motorcycles are added to branding and disclosure requirements.** This change makes all commercial vehicles as well as motorcycles subject to the same titling and dealer disclosure requirements as passenger vehicles. The change is made by repealing a statute that creates the exceptions for such vehicles. Of note, under the change, branding and disclosures become required for restored pioneer vehicles, but an exemption from the "reconstructed vehicle" brand remains in place. See sections 12 and 15.

- **There are further clarifications and restructuring.** A wide range of changes throughout the draft involve readability, clarity, and flow of the statutes on title branding. They are based on suggestions and several discussions with the department. This includes revising definitions, eliminating distinctions that are no longer necessary, and more clearly separating the brand requirements in sections 168A.151 and 325F.6642. Brand provisions are further centralized as well. In particular, see sections 1, 2, 6, 10, and 11.
- **The “rebuilt” brand is eliminated.** The draft removes a brand, “rebuilt” that is not implemented in Minnesota. This is replaced with the “prior salvage” brand.
- **Documentation on written disclosures is clarified.** The draft adds some specificity to the requirements to maintain documentation of written disclosures. It reflects the approach the department would intend to take if the provision were enacted. See section 10, lines 8.1-8.3.
- **The draft carries a delayed effective date.** In section 16, the draft now has an effective date of January 1, 2023, for all changes (except the appropriation).
- **Not included: disclosure by individuals.** The department had recommended broadening the written and oral disclosure mandates to include disclosure by individuals (i.e., in the course of private party sales). This change was not made in the latest draft (as it appears to raise a policy question that we did not recall the task force having discussed). Under current law as well as in the bill draft, disclosure requirements generally only apply to motor vehicle dealers.
- **Not included: broadened disclosure of flooding.** Another recommendation from the department is to broaden the situations where flood damage must be disclosed, so that disclosure would be required if a vehicle had been submerged or flooded above the door sill. This too is unchanged in the bill draft (as it appears to involve a policy change that the task force had not reviewed). Under current law and in the draft, flooding disclosure is not required until the vehicle was submerged above the bottom of the dashboard.

Please let Lexi and me know if you have further questions.

MB/LS/rk