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## OLR Bill Analysis

### sSB 412

#### ***AN ACT CONCERNING THE OFFERING PRICE OF A MOTOR VEHICLE AND PROVISIONS OF THE FRANCHISE ACT GOVERNING AGREEMENTS BETWEEN AUTOMOBILE MANUFACTURERS OR DISTRIBUTORS AND AUTOMOBILE DEALERS.***

#### **SUMMARY**

This bill requires car dealers to include their dealer conveyance fee or processing fee, if any, in the price they advertise or quote for a motor vehicle. It also prohibits them from pre-printing vehicle orders and invoices with the dealer conveyance fee amount. In doing so, it generally aligns dealer conveyance fee requirements with those that apply to fees for add-on consumer goods and services under existing law (§§ 1 & 2).

The bill also modifies and expands the legal duties that motor vehicle manufacturers (and their distributors) owe to the dealers with whom they have franchise agreements (see BACKGROUND). Among other things, it:

1. limits the circumstances under which manufacturers may require car dealers to construct, renovate, or substantially alter their dealerships (§§ 3 & 4);
2. establishes new requirements related to consumer data sharing, including limiting when manufacturers may require dealers to share data on their customers (§§ 3 & 7); and
3. entitles new vehicle dealers to compensation from their manufacturer when used vehicles in their inventory are subject to a “stop-sale order” or a “do-not-drive order” due to a recall and the necessary parts or remedies are not available for a while (§§ 5 & 6).

Lastly, the bill makes several technical and conforming changes.

EFFECTIVE DATE: October 1, 2026

## **§§ 1 & 2 — DEALER CONVEYANCE FEES**

The bill modifies requirements related to dealer conveyance fees and motor vehicle prices. By law, a “dealer conveyance fee” or “processing fee” is a fee dealers charge to recover reasonable costs for processing all documentation and performing services related to closing a sale, including registration and transferring vehicle ownership.

### ***Advertisements***

Under current law, dealers must (1) exclude conveyance or processing fees from a vehicle’s advertised price and (2) separately state the amount of the conveyance fee next to the phrase “Dealer Conveyance Fee.” The bill instead requires dealers to include these fees in the advertised price, but keeps the requirement to separately state the fee amount.

By law, dealers must include fees for any add-on consumer good or service in the advertised price of the vehicle and also separately state the amount of these fees next to the phrase “Additional Fees, Charges and Costs.”

By law and under the bill, dealers who violate these laws are subject to a fine of up to \$1,000 and may have their license suspended or revoked.

### ***Quoted Price***

In the selling price quoted to prospective buyers, current law requires dealers to include, separately stated, the amount of any dealer conveyance fee. The bill requires dealers to both (1) include the dealer conveyance fee in the quoted amount and (2) separately state the amount. As under existing law, it must also state that the conveyance fee is negotiable.

By law, dealers must include fees for any optional add-on consumer good or service in the quoted price and also separately state the amount of each fee and that it is optional.

Under existing law, and unchanged by the bill, a dealer must also give a buyer a written statement and prominently display a sign specifying (1) the conveyance fee or processing fee amount; (2) the included services; (3) that the fee is negotiable; (4) that the fee is not payable to the state; and (5) that the buyer may choose, where appropriate, to submit registration and title documents to the Department of Motor Vehicles, in which case the dealer will reduce the fee by a proportional amount (CGS § 14-62(c)).

### ***Pre-printed Order and Invoice Forms***

For each motor vehicle sale, state law requires dealers to give buyers an order and an invoice that contain the vehicle's cash selling price and other specified vehicle information and offer terms. Existing law prohibits dealers from pre-printing the vehicle order and invoice with fees for any optional, add-on consumer good or service before discussions with a prospective buyer; the bill extends this prohibition to dealer conveyance fees.

### **§§ 3 & 4 — ALTERATIONS TO DEALERSHIPS**

The bill limits the circumstances under which manufacturers may require car dealers to construct, renovate, or substantially alter (alter) their dealerships. Substantial alterations are generally those that majorly impact a dealership's architectural features, characteristics, appearance, or integrity.

Under the bill, a manufacturer can only require dealers to alter their facilities if it (1) demonstrates the alteration is reasonable and justifiable based on a reasonable business consideration (such economic condition projections) and (2) agrees to make a good faith effort to make new vehicles available to the dealer, at the dealer's option, to cover the dealer's alteration costs. The new vehicles must be provided in an amount and mix that is projected, based on a reasonable market analysis, to meet the sales level necessary to cover these costs.

The bill also prohibits a manufacturer from requiring a dealer to alter its dealership if it completed a manufacturer-required alteration to the same component of the facility within the last 10 years.

### ***Exclusions***

The bill's limitations do not apply to:

1. routine maintenance reasonably necessary to keep the dealership in attractive condition,
2. changes to items protected by intellectual property rights, or
3. reasonable facility improvements and technological upgrades needed to support technology in a manufacturer's vehicles.

If a manufacturer requires improvements or upgrades to support vehicle technology and a dealer chooses not to make them, the bill allows the manufacturer to refuse to give the dealer any vehicles that require them or any corresponding incentives or benefits.

The bill also specifies that it does not allow a dealer to (1) impair or eliminate a manufacturer's intellectual property or trademark rights or interests, including sign design and use, or (2) refuse to change the design or branding of any signs or other branded items, as long as the requirement applies to all dealers nationally.

### ***Incentive Programs***

Under the bill, if a dealer alters its facility under an incentive program, the manufacturer may not deny a dealer any payment or benefits that were part of the program's terms when the dealer started participating in it. If a dealer alters its facility under an incentive program on or after October 1, 2026, and the program does not specify a time period during which the dealer will receive payments, manufacturers must provide payments and benefits to the dealer for 10 years after the manufacturer made the program available to the dealer, even if the manufacturer changes or cancels the program.

The bill specifies that it does not prohibit manufacturers from denying payment or benefits if the dealer changes its facilities in a way that makes it no longer compliant with the manufacturer's standards or plans, regardless of whether or not the program changed. Facility changes needed because of damage from natural disasters or required

safety upgrades cannot make a dealer noncompliant with a manufacturer's standards or plans, as long as the changes substantially restore the facility to compliance.

The bill's provisions on facility-related incentives do not apply to (1) lump sum payments for facility upgrade costs; (2) per-vehicle payments; and (3) any facility incentive program in effect on October 1, 2026.

***Purchase of Goods, Building Materials, or Services***

The bill prohibits manufacturers from requiring dealers who are altering their dealerships to buy goods, building materials, or services (such as flooring and wall coverings) from a manufacturer-chosen vendor if the:

1. dealer can get, from other sources, goods, materials, and services that are substantially similar in appearance, function, design, and quality to the ones from the manufacturer's vendor and
2. manufacturer approves them.

The bill prohibits manufacturers from unreasonably delaying or withholding approval. If a manufacturer denies a dealer's request, it must give the dealer a detailed list of the reasons it did so in writing at the time of the denial.

**§§ 3 & 7 — CONSUMER DATA**

The bill establishes several requirements related to consumer data sharing between manufacturers (including third parties acting on their behalf) and their dealers. The bill requires manufacturers to comply with applicable state and federal restrictions on reusing or disclosing consumer data and prohibits them from causing a dealer to violate these restrictions.

Under the bill, manufacturers must indemnify the dealer for any claims against the dealer, or damages it incurs, to the extent caused by the manufacturer's disclosure of dealer-provided data in violation of the bill.

The bill also specifies that, in any cause of action against a manufacturer for a violation of the bill's data provisions, the party bringing the action has the burden of proof.

### **Scope**

The bill's data protections apply to personally identifiable financial information that a dealer collects and gives, directly, to a manufacturer, factory branch, or third party acting on their behalf. It does not apply to data the manufacturer receives from another source, even if it is the same or similar to data the dealer has.

### **Statement on Procedures for Safeguarding Consumer Data**

The bill requires manufacturers (or third parties acting on their behalf) to give dealers, upon request, a written statement describing the manufacturer's procedures to safeguard consumer data that meet or exceed federal or state requirements. This includes requirements under the federal Gramm-Leach-Bliley Act, which requires companies that offer consumers financial products and services (such as loans) to explain their information-sharing practices to consumers and to safeguard personally identifiable information.

### **List of Parties With Whom Manufacturer Shared Data**

Under the bill, upon a dealer's written request, a manufacturer (or a third party acting on its behalf) must give the dealer a written list of all the consumer data it received from the dealer and all the parties the manufacturer gave the data to in the previous six months. Dealers may only request this information once every six months.

The bill requires that this list indicate specific fields of consumer data that were given to each party. But it does not have to include any party (or the data given to that party) who:

1. was providing services for a manufacturer or dealer and received the data while doing so, so long as the parties had an agreement requiring the service provider to comply with federal and state data privacy requirements, or
2. was previously authorized by the dealer, in writing, to receive

the data, so long as the dealer has not withdrawn the authorization in writing.

### ***Access to Dealer's Data Management System***

The bill prohibits manufacturers from requiring dealers to allow them direct or indirect access to the dealer's data management system to get consumer data. However, under the bill, manufacturers may get consumer data from the dealer's system if the dealer gives express consent in a written document, separate from the franchise agreement, that may be withdrawn with 30 days' written notice to the manufacturer. Manufacturers cannot require this consent as a condition for participating in an incentive program that begins on or after October 1, 2026, unless the consent is necessary to get consumer data to implement the program.

If a dealer does not allow a manufacturer access to its system, manufacturers must allow dealers to give them consumer data in a widely accepted file format and through a third-party vendor the dealer chooses.

### ***When Manufacturers May Require Data Sharing***

Under the bill, manufacturers may require dealers to give them, or allow them to use, customer information related solely to the manufacturer's vehicle makes to the extent necessary to:

1. satisfy manufacturers' legal notice obligations, including safety or recall notices;
2. complete vehicle sale and delivery;
3. validate and pay customer or dealer incentives;
4. submit claims for services supplied by the dealer for any claim for warranty parts or repairs;
5. analyze the market;
6. evaluate sales and customer satisfaction with the dealer (including surveys); or

7. reasonable marketing purposes that benefit the dealer.

## **§§ 5 & 6 — COMPENSATION FOR RECALLED VEHICLES IN INVENTORY**

The bill generally entitles a new vehicle dealer to compensation from a manufacturer when used vehicles in its inventory are subject to a “stop-sale order” or a “do-not-drive order” because of a federal safety or emissions recall and the necessary parts or remedies are not available for a while.

### ***Eligible Vehicles***

Under the bill, if the necessary parts or remedies are not available within 30 days after issuing the recall, a new vehicle dealer that is franchised to sell and service new vehicles from the manufacturer may file a claim for each recalled vehicle that (1) was in its used vehicle inventory on the date the stop-sale order or do-not-drive order was issued or (2) it took into its used car inventory as a consumer trade-in after the date the order was issued. The claim must be filed in a way the manufacturer sets, and the manufacturer may specify how dealers must show eligibility for the compensation, so long as the requirements are not overly burdensome.

### ***Compensation Amount***

Under the bill, the compensation must equal at least 1% of the used vehicles’ value per month, starting 30 days after the recall is issued and ending when the (1) parts are or remedy is available to the dealer or (2) dealer sells, trades, or otherwise gets rid of the vehicle. Like other claims by dealers under existing law, the bill requires manufacturers to pay these claims within 30 days after approving them.

Instead of compensation calculated as described above, a manufacturer may (1) compensate a dealer under a national recall compensation program, so long as the amount is higher than a dealer would otherwise receive, or (2) enter into an agreement with a dealer for compensation in an alternate form or amount. Compensation provided to the dealer is otherwise exclusive and cannot be combined with other state or federal recall remedies.

Under the bill, a dealer is not entitled to compensation higher than the vehicle's value. The vehicle's value, for purposes of calculating compensation, is the average trade-in value for the vehicle determined with nationally recognized industry data or pricing guides.

The bill prohibits manufacturers from offsetting or reducing the compensation they owe to dealers under the bill, including (1) through a charge-back program; (2) any reduction in an amount owed to a dealer through an incentive program; or (3) the removal of a dealer from an incentive program, if it is done because the dealer applied for compensation. These limitations do not apply to manufacturer actions that apply uniformly to all new vehicle dealers of the same line and make of vehicles in the state.

## **BACKGROUND**

### ***Motor Vehicle Franchises and Dealerships***

Under the laws governing motor vehicle franchises, a motor vehicle manufacturer makes or assembles new motor vehicles for distribution to dealers or through distributors. A dealer sells motor vehicles and holds a valid sales and service agreement, franchise, or contract with a manufacturer for retail sale of the vehicles (CGS § 42-133r).

## **COMMITTEE ACTION**

Transportation Committee

Joint Favorable Substitute

Yea 27    Nay 9    (03/16/2026)