

**Motor Vehicle Dealer Amendments**

2026 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Tiara Auxier**

Senate Sponsor:

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**LONG TITLE****General Description:**

This bill raises the bond amount required for a used motor vehicle dealer license.

**Highlighted Provisions:**

This bill:

- raises the required bond amount for a used motor vehicle dealer's license to \$200,000; and
- makes technical changes.

**Money Appropriated in this Bill:**

None

**Other Special Clauses:**

None

**Utah Code Sections Affected:****AMENDS:**

**41-3-205**, as last amended by Laws of Utah 2010, Chapter 342

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*Be it enacted by the Legislature of the state of Utah:*

Section 1. Section **41-3-205** is amended to read:

**41-3-205 . Licenses -- Bonds required -- Maximum liability -- Action against surety -- Loss of bond.**

(1)(a) Before [a] the division may issue a dealer's, special equipment dealer's, crusher's, or body shop's license~~[is issued]~~, the applicant shall file ~~[with the administrator]~~ a corporate surety bond with the administrator in the amount of:

(i) ~~[\$50,000 until June 30, 2006, and \$75,000 on or after July 1, 2006,]~~ \$75,000 for a new motor vehicle dealer's license as described in Section 41-3-202;

(ii) \$200,000 for a used motor vehicle dealer's license as described in Section 41-3-202;

~~[(ii)] (iii) [\$20,000 until June 30, 2006, and \$75,000 on or after July 1, 2006,]~~ \$75,000 for a special equipment dealer's license;

- 31           ~~[(iii)]~~ (iv) \$10,000 for a motorcycle, off-highway vehicle, or small trailer dealer's or  
32           crusher's license; or
- 33           ~~[(iv)]~~ (v) \$20,000 for a body shop's license.
- 34       (b) The applicant shall obtain a bond from a corporate surety ~~[shall be]~~ that:
- 35           (i) is licensed to do business within the state; and ~~[-]~~
- 36           (ii) [have-] holds a rating of at least B+ by the A.M. Best Company.
- 37       (c) The form of the bond:
- 38           (i) shall be approved by the attorney general;
- 39           (ii) shall be conditioned upon the ~~[-]~~applicant's conducting business as a dealer
- 40           without:
- 41               (A) fraud;
- 42               (B) fraudulent representation;
- 43               (C) violating Subsection 41-3-301(1) which requires a dealer to submit or deliver
- 44               a certificate of title or manufacturer's certificate of origin; or
- 45               (D) violating Subsection 41-3-402(1) which requires payoff of liens on motor
- 46               vehicles traded in; and
- 47           (iii) may be continuous in form.
- 48       (d) The attorney general shall approve the form of the bond, which is conditioned on the
- 49           applicant conducting business as a dealer without:
- 50           (i) fraud or fraudulent representation;
- 51           (ii) violating Subsection 41-3-301(1) regarding the delivery of a certificate of title or
- 52           origin; or
- 53           (iii) violating Subsection 41-3-402(1) regarding the payoff of liens on traded-in
- 54           motor vehicles.
- 55       (e) The form of the bond may be continuous.
- 56       ~~[(d)]~~ (f) The total aggregate liability on the bond to all persons making claims, regardless
- 57           of the number of claimants or the number of years a bond remains in force, may not
- 58           exceed the ~~[amount of the bond]~~ bond amount.
- 59       ~~[(2)(a) A cause of action under Subsection (1) may not be maintained against a surety~~
- 60           ~~unless:]~~
- 61           ~~[(i) a claim is filed in writing with the administrator within one year after the cause of~~
- 62           ~~action arose; and]~~
- 63           ~~[(ii) the action is commenced within two years after the claim was filed with the~~
- 64           ~~administrator.]~~

~~[(b) The surety or principal shall notify the administrator if a claim on the bond is successfully prosecuted or settled against the surety or principal.]~~

(2)(a) A claimant may not maintain a cause of action against a surety unless the claimant:

(i) files a written claim with the administrator within one year after the day on which the cause of action arises; and

(ii) commences the action within two years after the day on which the claimant filed the claim with the administrator.

(b) The surety or principal shall notify the administrator if a person successfully prosecutes or settles a claim on the bond against the surety or principal.

(3)(a) A surety or principal may not ~~[make a payment]~~ pay on a surety bond to any claimant until six months ~~[have expired from]~~ after the date ~~[when]~~ on which the first written claim on the bond was filed with the surety or principal~~[in writing]~~.

~~(b) [After]~~ The surety or principal, after six months have expired following the filing of the first bond claim, [the surety or principal] shall:

(i) assess the validity of all claims on the bond; and

(ii) submit a distribution assessment determined in accordance with Subsection (3)(c) regarding the bond proceeds to the claimants of valid claims for approval.

~~(c)[(i) If the total verifiable claims on the bond are less than the bond amount, then each bond claimant shall be entitled to the full amount of a valid claim.]~~

(i) Each bond claimant is entitled to the full amount of a valid claim if the total of the verifiable claims on the bond are less than the bond amount.

(ii) If the total verifiable claims exceed the bond amount, then the proceeds shall be distributed pro rata to the bond claimants of valid claims.

(d) If the distribution assessment under Subsection (3)(b) is not unanimously approved by the claimants of all valid claims on the bond, the principal or surety shall file an interpleader action in the state district court where the defaulting dealer was licensed.

~~[(4)(a) A person making a claim on the bond shall be awarded attorney fees in cases successfully prosecuted or settled against the surety or principal if the bond has not been depleted.]~~

~~[(b) A surety or principal may not be awarded attorney fees that exceed \$2,500 for an interpleader action filed under Subsection (3)(d).]~~

(4)(a) A court shall award attorney fees to a person who successfully prosecutes or settles a claim if the claim has not depleted the bond.

(b) A court may not award a surety or principal attorney fees exceeding \$2,500 for an

interpleader action.

(5)(a)(~~i~~) If a dealer, body shop, or ~~[-]~~crusher loses ~~[possession of]~~the bond required by this chapter~~[-]~~ :

(i) the dealer, body shop, or crusher license is automatically suspended~~[-]~~ ; and

(ii) the dealer, body shop, or crusher shall immediately return all licenses, pocket cards, temporary permits, and special plates to the administrator.

~~[(ii) All licenses, pocket cards, temporary permits, and special plates issued to the licensee shall be immediately returned to the administrator.]~~

(b) A dealer, body shop, or ~~[-]~~crusher may not ~~[continue to use or permit to be used]~~ use licenses, pocket cards, temporary permits, or special plates until the required bond is on file with the administrator and the administrator reinstates the license~~[-has been reinstated]~~.

(6) A representative or consignee of a dealer is not required to file a bond if the dealer for whom the representative or consignee acts fully complies with ~~[the provisions of]~~this chapter.

## Section 2. **Effective Date.**

This bill takes effect on May 6, 2026.