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**Motor Vehicle Dealer Amendments**  
2026 GENERAL SESSION  
STATE OF UTAH  
**Chief Sponsor: Tiara Auxier**  
Senate Sponsor:

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**LONG TITLE**

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**General Description:**

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

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**Highlighted Provisions:**

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This bill:

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

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**Money Appropriated in this Bill:**

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None

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**Other Special Clauses:**

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None

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**Utah Code Sections Affected:**

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**AMENDS:**

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**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:*

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

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

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

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(i) [\$50,000 until June 30, 2006, and \$75,000 on or after July 1, 2006,] \$75,000 for a

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new motor vehicle dealer's license as described in Section 41-3-202;

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

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[(iii) [\$20,000 until June 30, 2006, and \$75,000 on or after July 1, 2006,] \$75,000

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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.]

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

67 (2)(a) A claimant may not maintain a cause of action against a surety unless the claimant:  
68 (i) files a written claim with the administrator within one year after the day on which  
69 the cause of action arises; and  
70 (ii) commences the action within two years after the day on which the claimant filed  
71 the claim with the administrator.

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

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

77 (b) [After] The surety or principal, after six months have expired following the filing of  
78 the first bond claim, [the surety or principal] shall:  
79 (i) assess the validity of all claims on the bond; and  
80 (ii) submit a distribution assessment determined in accordance with Subsection (3)(c)  
81 regarding the bond proceeds to the claimants of valid claims for approval.

82 (c)[(i) If the total verifiable claims on the bond are less than the bond amount, then  
83 each bond claimant shall be entitled to the full amount of a valid claim.]  
84 (i) Each bond claimant is entitled to the full amount of a valid claim if the total of the  
85 verifiable claims on the bond are less than the bond amount.  
86 (ii) If the total verifiable claims exceed the bond amount, then the proceeds shall be  
87 distributed pro rata to the bond claimants of valid claims.

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

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

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

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

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

99                   interpleader action.

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

102                   (i) the dealer, body shop, or crusher license is automatically suspended[.] ; and  
103                   (ii) the dealer, body shop, or crusher shall immediately return all licenses, pocket  
104                   cards, temporary permits, and special plates to the administrator.

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

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

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

114                   **Section 2. Effective Date.**

115                   This bill takes effect on May 6, 2026.