

## **BILL ANALYSIS**

C.S.H.B. 2495  
By: Wong  
Transportation  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

Currently, there is an ambiguity in the Transportation Code regarding how a public auto auction that holds a dealer general distinguishing number may transfer title to vehicles sold at auction. This bill amends the Transportation Code relating to how and when a vehicle may be the subject of a subsequent sale.

Current statutes and regulations are crafted to prevent fly-by-night public auctions from selling vehicles on a consignment type of arrangement to the public. The reason for this is that the members of the public who purchase a vehicle from the auction should be able to look to the public auction in the event there is a problem with the vehicle. Consignment sales frustrate this purpose because the public auction is able to avoid responsibility for the vehicle due to the fact that it is not the owner of the vehicle and it is not actually transferring title to the buyer. However, current statutes do not adequately and clearly account for public auto auctions whose practice it is to take ownership of every vehicle auctioned, transfer title to the buyer, and answer as the owner for every vehicle sold.

Public auto auctions that holder a dealer general distinguishing number should be able to auction vehicles, take title to the vehicles auctioned, and then close the sale and transfer title to the buyer within a reasonable time. There is sufficient ambiguity in the law on this point that clarifying the statute will serve the public interest by setting forth clearly how licensed public auto auctions may operate and how such auctions are required to take title to any vehicle sold to the general public.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

#### SECTION 1

Amends Section 501.071(a) of the Transportation Code by adding Subsection (a) (2) to clarify that a motor vehicle may not be the subject of a subsequent sale unless legal title passes to the seller prior to any transfer of title to the buyer and the seller transfers title to the buyer within 20 days.

### **EFFECTIVE DATE**

September 1, 2005.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

#### SECTION 1

Amends Section 501.071 of the Transportation Code by amending to provide for the addition of Section 503.039.