

## **REQUIREMENTS FOR A KENTUCKY MOTOR VEHICLE DEALER LICENSE**

This outline is prepared for your benefit in order to expedite the process of applying for a Motor Vehicle Dealer license. It sets forth the items needed **prior to** returning the application to the Motor Vehicle Commission. The application can be obtained by mailing a check or money order in the amount of \$7.00 to the Motor Vehicle Commission, 200 Mero St., 3<sup>rd</sup> Floor West, Frankfort, Kentucky 40601. Make check payable to the "Kentucky State Treasurer" or you can print online at MVC.KY.GOV for free!

**\*\*AN INCOMPLETE APPLICATION WILL BE RETURNED TO THE APPLICANT\*\***

The Commission meets on the second Friday of each month. In order to be placed on the agenda for that meeting, a completed application must be received in this office no later than ten (10) **working** days **prior** to the date of the meeting. This does not include weekends, holidays or the day of the meeting.

### **I. ALL DEALER LICENSES REQUIRE THE FOLLOWING:**

#### **A. Established Place of Business (Display Lot/Customer Parking Area, Office)**

- 1) An Established Place of Business is defined as a permanent, enclosed commercial building located within this state, easily accessible and open to the public at all reasonable times, and at which the business of a vehicle dealer, including the display and repair of vehicles, may be lawfully carried on in accordance with the terms of all applicable building codes, zoning and other land use regulatory ordinances.
- 2) The Commission requires an established place of business to have a display lot/customer parking area of at least 2,000 square feet.
- 3) The display lot/customer parking area must have a hard surface covering (e.g., gravel, asphalt, concrete). No vegetation coming through gravel at any time.
- 4) The display lot/customer parking area must be constructed in such a manner that **will not** allow the flow of public traffic through it and must be used exclusively for the display and showing of vehicles for sale and customer parking. (Cannot be shared with other businesses)
- 5) The office facility must have sufficient space in which to operate a dealership. The Commission requires an office to have at least 100 square feet of floor space, as well as the usual office furnishings (desk, chairs, and file cabinet), telephone and electricity, computer and fax machine.
- 6) The office shall be underpinned and on a permanent foundation.
- 7) The office must be on or immediately adjacent to the display lot.
- 8) Because the statute defines "established place of business" as a "commercial building," the location **cannot** be a residence.

## B. Insurance

A certificate of insurance must be submitted to the Commission **by the applicant's insurance company (not the agent)** showing for all dealers, except automotive recycling dealers, garage liability coverage in the minimum amounts of \$250,000 per person, \$500,000 per occurrence and \$250,000 for property damage. For automotive recycling dealers, a commercial general liability policy showing coverage in the same amounts must be provided.

Certificate of insurance need not be on file prior to Commission approval of the application. The applicant will be notified when the certificate of insurance is required.

## C. Business Name

- 1) Your business name must incorporate the words "Used Cars," "Auto Sales," "Auto Mart" or other similar terms that clearly identify you as a motor vehicle dealer.
- 2) Unless you have or are applying for a license as a new motor vehicle dealer, you cannot use the name of any make of motor vehicle as a part of your trade name in the business or in any advertisement.
- 3) Unless you are applying for a wholesale license, you cannot use the word "wholesale" in the business name. Same goes for "leasing" and "wholesale".
- 4) Applicants cannot use the words "broker" or "consignment" in the business name.

## D. Licensed Sales Personnel

A **Motor Vehicle Salesperson** license is required for every person employed by a dealer to sell motor vehicles (even if on a temporary basis), including the owners of the business and for every person employed at a vehicle auction as an auctioneer of vehicles 605 KAR 1:050 Section 5. Anyone acting for a dealer in any aspect of negotiation for or displaying a vehicle for sale to the public must have a salesperson's license. Also anyone purchasing on behalf of the dealer at auction, driving on dealer plates or doing transfer work at the Clerk's office. A salesperson of motor vehicles shall not engage in business in this state at any location without a license issued for that location as provided in KRS 190.010 to 190.080. If you are **only** a restricted/automotive recycling dealer, a salesperson's license is not required.

#### E. **Business Sign**

Unless you are licensed or seeking a license as a **wholesale dealer**, you must display on your premises a permanent sign which can be seen or read from the nearest roadway, which specifically identifies the business with the business name, by lettering of at least nine inches (9") in height. **The sign must show the business name exactly as it appears on the application/assumed name certificate, articles of Inc. or articles of organization. The sign must be up and installed when application is submitted.**

#### F. **Separation of Facilities**

If you or any other person conducts another business from the location for which the dealer license is issued or applied for, your display lot/customer parking area must be separate and apart from what is used for the other business(es). Your office need not be a separate walled enclosure, but it must be a separate defined area with the furnishings mentioned above. If there is any question about separation, the Commission may require a physical barrier to be installed between the different businesses. Businesses also cannot share an address and must have their own mail receptacle. You also can not use the same address and must have your own business mail receptacle.

#### G. **Application**

The application form must be completed and received back in this office by ten (10) working days before the next scheduled Commission meeting (held on the second Friday of each month). **If the application is not completely filled out, it will be returned to you. A \$175.00 application fee, plus a \$25 fee for each person listed as an owner to conduct a criminal background check, must be submitted with the application. Make check payable to "Kentucky State Treasurer."**

### II. **WHOLESALE DEALER APPLICANTS**

All requirements are the same except for the dealer sign. A wholesaler does not need a dealer sign identifying his business, but all other requirements must be met.

### III. **NEW (FRANCHISED) DEALER APPLICANTS**

Submit a copy of any and all franchise agreements with the application. All other requirements are the same, except a new (franchised) vehicle sales facility must include some facility for vehicle service.

#### **IV. MOTORCYCLE & LEASING APPLICANTS**

All requirements are as set forth in Item I.

#### **V. AUCTION DEALER APPLICANTS**

All requirements are as set forth in Item I, except for a bond and that amount is set by the Commission.

#### **VI. RESTRICTED DEALER/MOBILITY APPLICANTS**

All requirements are as set forth in Item I, except business assets must show at least \$100,000 in net worth and garage liability insurance coverage must be at least \$1,000,000.

#### **VII. RESTRICTED/AUTOMOTIVE RECYCLING APPLICANTS**

All requirements are the same as set forth in Item 1, except if you have a restricted/automotive recycling dealer license only and no other type of dealer license, you do not have to obtain garage liability insurance but can instead obtain a commercial general liability coverage policy. In addition, applicants for the recycling dealer license must furnish the following two items as set forth on page 9 of the application:

- A. A copy of a permit to operate a salvage/recycling yard obtained from the Kentucky Department of Highways OR the reason, as shown on page 9 of the application, why such a permit is not required.
- B. Page 9 signed by the appropriate zoning official certifying that the location of the proposed place of business is legally fit as a location where the applicant may engage in the business of dismantling, salvaging or recycling salvage vehicles for the purpose of harvesting parts, components, assemblies, and recyclable materials for resale or reuse, in accordance with any zoning or other land use regulatory ordinances.

#### **VIII. BOND**

The Commission may require an applicant to furnish a bond in any amount not less than \$25,000. You will be notified if this is required of you. **Note: It is very important to complete the financial statements as accurately and completely as possible. Improperly completed statements can cause a delay in approving your license and may lead to a bond requirement. Listing liabilities is as important as listing assets. Applicants must demonstrate a minimum of \$100,000 of liquid assets and/or \$50,000 unencumbered cash in the business as well as unencumbered inventory in the owner's or businesses name.**

**IX. CHANGE OF LOCATION**

If a dealer decides to relocate their place of business, they must submit a valid and complete application to the Commission requesting a license at the new place of business within 30 days of move. If a permanent application is not approved, no further activity may take place at the location after the application is denied. Notification to the Commission and a submission of an application after relocation shall not cure any violation of KRS Chapter 190 if the dealer engaged in business at the new location without a valid permanent or temporary license.

**X. CHANGE OF OWNERSHIP**

**Any** change of ownership, whether by a sole owner, corporation, or other entity, will require a new application and new fees.

**XI. CONFINING ACTIVITIES TO LICENSED PLACE OF BUSINESS**

When your license is issued, your business must be confined to the location for which the license was issued. Any activity such as displaying, selling, offering to sell, advertising, etc., motor vehicles at any location other than the licensed place of business, in the absence of an off-site sale or display permit, may result in a hearing for the suspension or revocation of your license.

**XII. PREVIOUS OWNER INFORMATION AVAILABILITY**

If dealership has previous owner information and customer asks for said information dealer must provide.

**XIII. LICENSES TO BE DISPLAYED**

The dealer license and all salespersons' licenses must be conspicuously displayed in the office at the location for which the licenses were issued. All salespersons must keep their copy of their license on their persons when working.

**XIV. USE OF DEALER TAGS**

- A. Upon application for dealer tags with your county clerk, you will have to file an affidavit listing the names of the people who are authorized to use those dealer tags (other than customers who want to test drive).
- B. The use of dealer tags must be confined to:
  - 1) Owners of dealership with salesperson licenses
  - 2) Licensed salespersons of the dealership during business hours and only for business purposes
  - 3) Customers on a test drive. Use of your dealer tag by any other person will cause you to be cited for a license suspension/revocation hearing.

## **XV. LICENSE FEES AND TYPES**

The fee for each type of dealer license is \$200.00. The types of dealer licenses are:

- 1) New Motor Vehicle Dealer (franchised)
- 2) Used Motor Vehicle Dealer (includes wholesale)
- 3) Motor Vehicle Leasing Dealer
- 4) Supplemental Lot (a separate lot for used cars sold by a franchised dealer)
- 5) Wholesale Motor Vehicle Dealer (by itself)
- 6) Motor Vehicle Auction Dealer (operator)
- 7) Motorcycle Dealer
- 8) Restricted Dealer/Mobility Dealer (specialized vehicles)
- 9) Restricted/Automotive Recycling Dealer (dismantles to harvest parts for resale or reuse)

The Salesperson license fee is \$40.00. Owners are responsible for conducting criminal histories on the salespeople they hire. Please make all checks payable to "Kentucky State Treasurer."

If you have any questions concerning the application or other matters that have to do with dealer business, please do not hesitate to contact the Motor Vehicle Commission Office, 200 Mero St., 3<sup>rd</sup> Floor West, Frankfort, Kentucky 40601, 502-573-1000; facsimile - 502-227-8082.