

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 4120
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Business & Commerce
5/20/2019
Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

H.B. 4120 amends current law relating to the financial security requirement for providers obligated under certain service contracts.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1304.151, Occupations Code, by amending Subsection (b) and adding Subsections (b-1), (b-2), and (b-3), as follows:

(b) Prohibits the amount of the security deposit that is used to maintain a funded reserve account covering a service provider's obligations under its service contracts that are issued and outstanding and placed in trust with the executive director of the Texas Department of Licensing and Regulation, subject to Subsection (b-2), from being less than \$250,000, except as provided by Subsection (b-1).

(b-1) Provides that, subject to Subsection (b-2), the amount of the security deposit required under Subsection (b) is prohibited from being less than \$25,000 if the provider:

(1) is a motor vehicle dealer licensed under Chapter 2301 (Sale or Lease of Motor Vehicles); and

(2) offers to sell service contracts only on motor vehicles sold by the provider.

(b-2) Provides that the amount of the security deposit required under Subsection (b-1) is:

(1) \$25,000 for a motor vehicle dealer that generated \$1,125,000 or less in annual gross revenue in this state from the sale of service contracts in the preceding year;

(2) \$50,000 for a motor vehicle dealer that generated more than \$1,125,000 and not more than \$2,500,000 in annual gross revenue in this state from the sale of service contracts in the preceding year; and

(3) \$75,000 for a motor vehicle dealer that generated more than \$2,500,000 in annual gross revenue in this state from the sale of service contracts in the preceding year.

(b-3) Requires the security deposit, if a motor vehicle dealer described by Subsection (b-1) has no gross revenue in this state from the sale of service contracts in the preceding year, to be \$25,000.

SECTION 2. Effective date: September 1, 2019.