

## CHAPTER 3.

### LICENSING

**3.1 Who must be licensed.** Any person who is engaged in the business of buying, selling or exchanging motor vehicles or otherwise engaging in business as a dealer, directly or indirectly, including by consignment, must apply for and receive a general distinguishing number issued by the Department. This is commonly referred to as the "GDN." See Section 3.3 for certain exemptions from licensure.

#### **3.2 Types of Licenses.**

**a. GDN License.** GDN licenses are broken down into several categories. A GDN is the basic dealer license that allows a person to buy, sell or exchange the type of *used* vehicle for which the GDN is issued. For example, if a dealer wants to sell both used motorcycles and used automobiles, that dealer must have both a motorcycle GDN and a motor vehicle GDN. Any GDN licensee may use dealer's temporary tags, buyer's temporary tags and metal dealer license plates only on motor vehicles for which they are licensed to sell. The dealer must be bonded (See 3.10) unless he or she is a franchised dealer or a trailer dealer. The following are the different types of GDNs that must be obtained to sell that particular type of vehicle:

- 1. Motor Vehicle:** This dealer may buy, sell or exchange any type of used vehicle other than motorcycles, utility trailers or semi-trailers. A separate GDN must be obtained for these categories.
- 2. Motorcycle:** This dealer may buy, sell or exchange any type of used motorcycle, motor scooter, ATV or ROV (recreational off-highway vehicle).
- 3. Non-motorized Travel Trailer (towable recreational vehicle):** This dealer may buy, sell or exchange any type of used travel trailer.
- 4. Utility Trailer/Semi-Trailer:** This dealer may buy, sell or exchange any type of **new or used** utility trailer or semi-trailer. This is the only GDN that permits the sale of new vehicles without a franchised dealer license.
- 5. Wholesale Dealer License:** A wholesale GDN may be obtained if the dealer sells used vehicles only to other licensed dealers. A wholesaler may not sell retail. There is no license category for a wholesale new vehicle dealer.
- 6. Wholesale Motor Vehicle Auction License.** This license allows an entity to offer vehicles for sale by bid only to licensed dealers at a bona fide auction at a permanent location. Only one auction GDN may be issued for a particular location. A licensee with an auction GDN may obtain one additional GDN at the

same location the auction GDN is issued for. No other entity may hold a license at the auction location.

**7. Independent Mobility Motor Vehicle Dealer.** This license allows a dealer to offer to sell **new** mobility motor vehicles. A "mobility motor vehicle" is a motor vehicle that is designed and equipped to transport a person with a disability. It must contain a permanently lowered floor or lowered frame; or a permanently raised roof and raised door. The vehicle must also contain at least one of the following which is installed as an integral part or permanent attachment to the motor vehicle's chassis:

1. A platform lift that enables a person to enter or exit the vehicle while occupying a wheelchair or scooter;
2. A wheelchair ramp; electronic or mechanical
3. A system to secure a wheelchair or scooter to allow a person to be safely transported while occupying the wheelchair or scooter.

**b. Franchised Dealer License.** In addition to a GDN, if a dealer wishes to buy, sell, or exchange **new** motor vehicles, he or she must obtain a franchised dealer license for each separate and distinct showroom that will sell new motor vehicles or provide warranty service. A franchised dealer may operate several locations within a city limit with one GDN. If a dealer relocates a showroom within the same city limits, an application for a new franchised dealer license must be made for the new location, but the dealer will be able to keep the same GDN. If a franchised dealer wishes to add a line-make to their current licensed location, they submit a license amendment form so the new line can be added to their franchise license.

The same rules apply to franchised dealers as with GDNs. They may buy, sell or exchange any type of used vehicle within the particular type of GDN they possess. For example, a Ford dealer may be franchised to sell new Fords and have a motor vehicle GDN to sell used cars. However, they may not sell used motorcycles (of any line-make) without a motorcycle GDN.

**c. Converter License.** This license is required of persons who assemble, install or affix a body, cab or special equipment to a chassis prior to the retail sale of a vehicle, or who substantially add, subtract from or modify a previously assembled or manufactured motor vehicle unless the resulting vehicle is a motor home, ambulance or fire-fighting vehicle. Converters cannot sell converted **new** motor vehicles directly to the retail public, including cities and municipalities. Only a franchised dealer for the underlying line-make of the converted vehicle may sell the vehicle at retail. See Section 9 for more information on this license type.

**d. Manufacturer License.** This person manufactures or assembles new motor vehicles for sale within this State by franchised dealers, regardless of the location of the factory. This applies to all types of motor vehicles, whether they are cars, motorcycles,

travel trailers, motor homes, ambulances, fire trucks or other types of service vehicles. They may use manufacturer metal license plates exclusively for testing vehicles or loaning a vehicle to a consumer in connection with a Lemon Law case. Manufacturers may not sell directly to the retail public, including cities and municipalities.

**e. Distributor License.** This person distributes and/or sells new motor vehicles to franchised dealers within this State and is not a manufacturer.

**f. Representative License.** This person acts as an agent, employee or representative of a manufacturer, distributor or converter and performs duties in this State relating to promoting the distribution and/or sale of new motor vehicles or contacts dealers in this State on behalf of a manufacturer, distributor or converter. This license allows the representative to promote the product, but not sell it as sales must be done through a licensed franchised dealer.

**g. Lessor License.** This license is required of a person who, under the terms of a lease agreement in excess of 180 days, gives another person the right to possession and use a motor vehicle that is titled in the name of the lessor. No bond is required.

A franchised dealer does not need a lessor license to lease the line-make of vehicles for which they have a franchise license. Any state or federally chartered financial institution or a regulated subsidiary of a state or federally chartered financial institution is not required to obtain a lessor or lease facilitator license. Any entity exempt from the licensing requirement still needs to observe the record-keeping requirements found in the Lease Rules. To read more on the Lease Rules, see Chapter 8 on Leasing.

A dealer may not have the words "lease" or "leasing" in his or her company name unless they obtain a lessor or a lease facilitator license.

**h. Lease Facilitator License.** A lease facilitator is a motor vehicle leasing company or agent that has an agreement with a lessor to find customers to enter into lease contracts with the lessor. The lease agreement will be between the customer (lessee) and the lessor, not the lease facilitator. A leased vehicle will never be titled in a lease facilitator's name.

A lessor licensee does not need a lease facilitator license to facilitate leases for themselves. The lessor license includes the ability to facilitate its own leases. However, if the lessor facilitates leases between lessees and *other* lessors, they would need a lease facilitator license in addition to their lessor license.

**i. In-transit License.** An in-transit license is required for a drive-a-way operator who transports and delivers a vehicle in this state from the manufacturer or another point of origin to a location in this state using the vehicle's own power or using the full-mount method, the saddle-mount method, the tow-bar method, or a combination of those methods. Drive-a-way operators may apply for, receive, and attach metal in-transit license plates to the vehicles they transport.

**j. Salvage Dealer License.** A salvage dealer is a person or company, who acquires, sells, dismantles repairs, rebuilds, reconstructs, or otherwise deals in nonrepairable motor vehicles and salvage motor vehicles. You are required to be licensed as a salvage dealer if you sell more than five salvage or nonrepairable motor vehicles in a calendar year; or repairs, rebuilds, or reconstructs three or more salvage motor vehicles in the same calendar year. A salvage dealer's license has a term of one year. There are five classifications you may apply for using one application form:

- 1. New automobile dealer** - primary business is selling new motor vehicles, but may also buy salvage motor vehicles to repair and sell, or otherwise deal in nonrepairable motor vehicles
- 2. Used automobile dealer** - primary business is selling used motor vehicles but may also buy salvage motor vehicles to repair and sell, or otherwise deal in nonrepairable motor vehicles
- 3. Salvage vehicle pool operator** - primary business is selling nonrepairable motor vehicles or salvage motor vehicles at auction, including wholesale auction.
- 4. Salvage vehicle broker** - primary business is buying, selling or exchanging salvage and nonrepairable motor vehicles with other licensed salvage vehicle dealers.
- 5. Salvage vehicle rebuilder** - primary business is acquiring and repairing, rebuilding or reconstructing for operation on a public highway three or more salvage motor vehicles in a calendar year.

Metal recyclers and selling used parts are regulated by the Texas Department of Licensing and Regulation.

**3.3 Exemptions.** A person is not required to obtain a dealer GDN if the person:

- a.** Is selling or offering to sell fewer than five vehicles in the same calendar year *if the vehicles are owned and registered in that person's name*. If the vehicles are not owned and registered in that person's name, they would need a license to sell even one vehicle; or
- b.** Is a federal, state, or local government agency selling a vehicle; or
- c.** Is selling or offering to sell a vehicle the person acquired for personal or business use to a person other than a retail buyer if the sale or offer is not made to avoid the law; or
- d.** Is selling a vehicle in which the seller holds a security interest at a forced sale, in a manner provided by law; or

- e. Is acting under a court order as a receiver, trustee, administrator, executor, guardian or other appointed person; or
- f. Is an insurance company selling a vehicle acquired from the owner as a result of paying an insurance claim; or
- g. Is selling an antique passenger car or truck that is at least 25 years of age; or
- h. Is a collector selling a special interest vehicle that is at least 12 years of age? A special interest vehicle is defined in Transportation Code §683.077(3) as a motor vehicle that has not been changed from the original manufacturer's specifications and, because of its historic interest, is being preserved by a hobbyist.

**3.4 Licensing Periods.** All licenses are valid for two years from the date of issuance. The fee is due at the time of license issuance or renewal. Applicants are reminded that they must not commence business until the license becomes effective. License renewal applications are sent to the mailing address in a licensee's file between **75-90** days before the license expiration date. If the licensee has not informed the agency of a change of address, they may not receive their renewal application. It is the licensee's responsibility to file a timely renewal application regardless if they failed to receive the renewal application.

**3.5 License Purveyors.** A license purveyor is someone who assists licensees for a fee or other consideration in applying for and maintaining their license to the point where the licensee does not communicate directly with the MVD.

In October 2012, the TxDMV Board promulgated a rule that limited the practice of license purveyors placing themselves between the license applicants and the application. The rule states that applications for licenses will only be accepted for processing if filed by

- The applicant, or
- The licensee or
- The applicant's authorized representative who is
  - An employee, or
  - An unpaid agent, or
  - A designated attorney, or
  - A CPA.

License fees paid by check, credit or debit card, or electronic transfer must be drawn on the account held by:

- An applicant,
- A licensee,
- Applicant's CPA's trust account, or
- Applicant's designated attorney's trust account;

Required information will not be accepted if it is on the letterhead of anyone other than the applicant, his/her authorized representative, or the applicant's attorney or CPA. Information will not be given to or follow-up information requested from anyone other than the licensee, applicant or his/her authorized representative, a designated attorney or CPA. New license numbers will not be released to anyone other than the new licensee or the new licensee's attorney or CPA.

**3.6 Obtaining More than One GDN or License.** Questions often arise as to when a dealer needs an additional GDN. The following are some examples that a dealer would need to obtain more than one license:

- Franchised dealers need a franchise license in addition to the GDN.
- Franchised dealers must obtain a separate franchise license for each location that new motor vehicle sales are made.
- Dealers who own dealerships in different cities.
- Franchised or independent dealers who wish to sell different types of vehicles (i.e. a motorcycle dealer who wishes to sell trailers as well).

A separate bond is required for each type of GDN held except for travel trailer and trailer/semitrailer. For example, selling automobiles and motorcycles would require a separate GDN for each category and a separate bond for each GDN. Premises requirements contained in Section 3.7 also affect the number of GDNs a dealer must have.

**3.7 Premises Requirements.** Dealerships are licensed by location. A dealer needs only one GDN for each location that he or she buys, sells or exchanges vehicles of the same type. However, for legitimate reasons, a dealer may have more than one GDN for a single location.

**a. Primary Location.** If all of the dealer's locations are situated within the same city limits, a dealer needs only one GDN for each type of vehicle sold. The dealer must determine and notify the agency which location is designated as his primary location.

**b. Supplemental Location.** Any additional locations within the same city limits are considered supplemental locations, and a separate GDN license is not required. Each supplemental location must meet all premises requirements and be included on the license and bond, if applicable. To add a new supplemental location, an amendment application and a \$25.00 fee is required. Should a dealer acquire an additional location outside the city boundary, an additional GDN license and bond is required.

**c. Different Entities at Different Locations.** Some dealers operate their different locations under different entities. For example, a dealer may operate each location

under a different corporation or with a different partner. If the entity is not the same, then each entity is considered a different dealer and must have a separate license regardless of where the dealership is located.

**3.8 Established and Permanent Location.** Each location a dealer operates must be an established and permanent place of business. To be considered established and permanent, the location must have the minimal premises requirements outlined below.

**a. Office structure for retail and wholesale dealers.** A dealer that files an application for a new license or a supplemental location must conform to the following requirements:

1. Be located in a building, with connecting exterior walls on all sides.
2. Comply with all applicable local zoning ordinances and deed restrictions.
3. May not be located within a residence, apartment house, hotel, motel, or rooming house.
4. The physical address of the dealer's office must be recognized by the U.S. Postal Service or capable of receiving U.S. mail. Please note that licenses and metal dealer plates will not be mailed to any out-of-state address.
5. A portable-type office structure may qualify as an office only if the structure meets the other requirements and is not a readily moveable trailer or other vehicle.

**b. Required office equipment for retail and wholesale dealers.** At a minimum, the office must be equipped with: (1) a desk; (2) two chairs; (3) Internet access; and (4) a working telephone listed in the business name or assumed name under which the dealer does business.

**c. Number of dealers in one office.** Not more than four retail dealers or no more than eight wholesale dealers may be located in the same business structure. Unless otherwise authorized by the Transportation Code, a retail motor vehicle dealer and a wholesale motor vehicle dealer either of which is established after September 1, 1999, may not be located in the same business structure. A business structure is considered a building, with connecting exterior walls on all sides.

**d. Dealer housed with other business.** If a person conducts business as a dealer in conjunction with another business owned by the same person and under the same name as the other business, the same telephone number may be used for both businesses. If the name of the dealer differs from that of the other business, a separate telephone listing, and a separate sign for each business is required.

A person may conduct business as a dealer in conjunction with another business not owned by that person only if the dealer owns the property on which business is conducted or has a separate lease agreement from the owner of that property. The same



telephone number may not be used by both businesses. The dealer must have separate business signs, telephone listings, and office equipment.

**e. Sign Requirements.**

**1. Business sign requirements for retail dealers.** A retail dealer must display a conspicuous, permanent sign with letters at least six inches in height showing the dealer's business name, or assumed name as substantially similar to the dealer's license, under which the dealer conducts business. The sign must be permanently mounted at the address listed on the application for the dealer license. A dealer may use a temporary sign or banner if the dealer can show proof that a sign is on order that meets requirements.

**2. Business sign requirements for wholesale dealers.** A wholesale dealer must display a conspicuous, permanently mounted sign with letters at least six inches in height showing the dealer's business name or assumed name substantially similar to the dealer's license under which the dealer conducts business. The sign must be placed on the main door to the dealer's office or on the outside of the building housing the office. If the dealership is located in an office building with one or more other businesses and an outside sign is not permitted by the landlord, a business sign permanently mounted on or beside the main door to the dealer's office with letters at least two inches in height is acceptable. A dealer may use a temporary sign or banner if the dealer can show proof that a sign is on order that meets requirements.

**f. Display area requirements.** A wholesale dealer is not required to have display space at the dealer's business premises. A retail dealer must have an area designated as display space that meets the following requirements:

**1.** Be located at the dealer's business address or contiguous with the dealer's address. A non-contiguous storage lot is permissible only if there is no public access and no sales activity occurs at the storage lot. A sign stating the dealer's name, telephone number, and the fact the property is a storage lot is permissible.

**2.** Be sufficient to display at least five vehicles of the type for which the dealer is licensed. Those spaces must be used exclusively for that dealer's inventory and may not be shared with another business or a public parking area, a driveway to the office, or another dealer's display area.

**3.** May not be on a public easement, right-of-way, or driveway unless the governing body having jurisdiction of the easement, right-of-way, or driveway expressly consents in writing to the use as a display area. If the easement, right-of-way, or driveway is a part of the state highway system, use as a display area may only be authorized by a lease agreement.

**4.** If the display area is in conjunction with another dealership or another business that is not related to the sale or operation of motor vehicles, the display area for



the dealer's inventory must be separated from any other business's or dealer's parking area by a material object or barricade that cannot be readily moved by an individual.

5. The display area must be adequately illuminated if the dealer is open after sundown so that vehicles for sale can be properly inspected by any prospective customer.

6. The display area may be located inside a building.

7. If a dealer also holds a salvage dealer license, each salvage vehicle that is offered for sale on the premises of the dealer's display area must be clearly and conspicuously marked with a sign that informs the potential buyers that the vehicle is a salvage vehicle. This requirement does not apply to a licensed salvage pool operator.

**g. Lease or Ownership of the Property.** A dealer must own the property where business will be conducted or have a written lease agreement for at least the term of the license on that property. The lease agreement must be in the applicant's business name. If the premises from which a dealer conducts business, including any display area that is not owned by the dealer, the dealer must maintain a lease that is continuous with the period for which the dealer's license will be issued. The lease agreement must be on a properly executed for containing at a minimum:

- (A) the names of the lessor and lessee;
- (B) the period of time for which the lease is valid; and
- (C) the street address that is being leased.

The Department may request a dealer to submit documentation showing he owns the property or has a valid written lease agreement.

**h. Business Hours.**

**1. Business hours for retail dealers.** A retail dealer's office facility must be open at least four days per week for at least four consecutive hours per day. The business hour must be posted at the main entrance to the dealer's office that is accessible to the public. The owner or a bona fide employee of the dealer must be at the dealer's licensed location during the posted business hours for the purpose of buying, selling, exchanging, or leasing vehicles. If the owner or a bona fide employee is not available to conduct business during the dealer's posted business hours due to special circumstances or emergencies, a separate sign must be posted indicating the date and time the dealer will resume operations.- Regardless of the retail dealer's business hours the dealer's telephone must be answered from 8:00 a.m. to 5:00 p.m. weekdays by a bona fide employee, answering service, or answering machine.

**2. Business hours for wholesale dealers.** A wholesale dealer's office facility must be open for at least two weekdays per week at least two consecutive hours

per day. The business hours must be posted at the main entrance of the dealer's office. Regardless of the business hours, the telephone must be answered from 8:00 a.m. to 5:00 p.m. weekdays by a bona fide employee, answering service, or answering machine.

**i. Dealer must display license.** A dealer must display in a conspicuous place at each place of business the dealer license at all times in a manner that is easily readable by the public. If the dealer's license applies to more than one location, a copy of the original license may be displayed in each supplemental location.

**j. Mailing dealer's license and dealer plates.** A dealer's license and dealer plates will not be mailed out of state. If a dealer's mailing address is out of state, will need to provide an alternative Texas mailing address specifically for the license and plates.

**3.9 Applying for the General Distinguishing Number License.** The first step in applying for a license is to request an application packet for a new license from the MVD. This may be done by calling the main number and requesting an application or going to the TxDMV website and downloading all the application forms found at [www.txdmv.gov/forms-dealers](http://www.txdmv.gov/forms-dealers). Make certain you download all the necessary forms and their instructions. By reviewing the instructions, completing all applicable application form fields and properly calculating fees, you will help ensure a smooth and timely licensing process.

**a. Choose one GDN category per application.** You may need more than one type of GDN depending on what you plan on selling. A separate application will be needed for each different category you choose. If you want to sell vehicles retail and wholesale at the same location, please note that the GDN category of the vehicle type you want to sell permits you to sell wholesale. This means you do not need to submit an additional application for a wholesale GDN category. Example: A motorcycle GDN category permits you to sell used motorcycles retail (to the public) **and** wholesale (to other licensed dealers).

**b. Complete all Sections, Include all Required Attachments.** Before submitting an application: 1) make certain you have completed all sections, and 2) ensure all requirement documents are attached. Incomplete applications and those missing required attachments will delay the issuance of your license. Required items to attach to the application include:

**1. Ownership Information.** Make certain all requested information on the form is complete such as date of birth, social security number, driver's license number and ownership percentage.

**2. Assumed Name Certificate.** If you are operating your dealership under an assumed name, in other words, a different name than the entity that holds the license, (e.g. John Doe d/b/a Doc's Auto Sales, or Doe, Inc., d/b/a Doe's Auto Sales) you must submit a copy of the Assumed Name Certificate. Sole

proprietorships and general partnerships would get this certificate from your county clerk. If you have a corporation, limited liability company, limited partnership or limited liability partnership, you need to secure the Assumed Name Certificate from the Texas Secretary of State.

**3. Certificate of Incorporation, Organization or Partnerships.** If the entity applying for a license is a corporation, limited partnership, limited liability partnership or limited liability company, you must submit a copy of your approved certificate of formation or certificate of authority issued by the Texas Secretary of State.

**3.10 The bond.** The most common issue holding up new license applications from being approved is the information on the bond is not correct. To avoid this, carefully read the requirements of a bond and confirm these are met. A sample bond and required information is included in the instruction packet, form number LP021.

**a. Who needs a bond, for what term and what amount?** With the exception of franchised dealers, travel trailer dealers, or trailer/semitrailer dealers, all new applications for GDN categories of motor vehicle, motorcycle, wholesale only, wholesale motor vehicle auction and independent mobility motor vehicle must be submitted with a surety bond for \$25,000. The bond must be effective for the same term as the license. The bond must always equal \$25,000. In the event a claim is made and the bond is reduced to below \$25,000, a dealer must immediately bring the bond back up to \$25,000. All bonds should cover a two year period and must expire on the last day of a month. For a new license, the license cannot be approved unless the bond is in effect on the date the application is approved. The license term is based on the bond term dates. The license expiration date and the bond expiration date should be the same.

**b. Names on bond and contents.** The names on the bond must match the exact name(s) of the applicant/business on the license. The bond must be submitted in conjunction with the application, and meet the following specifications:

**1. Signature:** The bond must be signed and dated by the owner/principal of the dealership and by an authorized agent for the bonding company.

**2. Term Dates:** The bond effective dates must be equal to the license term.

**3. Name:** The bond must be issued in the name of the applicant; for example:

**For a sole proprietor:** John Doe DBA John Doe Motors

**For a partnership:** (All partners need to be listed)  
John Doe and Jane Doe DBA Doe Motors.

**For a corporation with no DBA:** John Doe, Inc.

**For a corporation with a DBA:** John Doe Inc., DBA John Doe Motors

**4. Physical Address:** The bond must reflect the physical address of the dealership. If a single GDN is issued for multiple locations, all physical addresses must be reflected on the bond.

**5. Power of attorney:** A Power of Attorney attachment from the bonding company must also be included with the bond.

**6. A Rider:** If information is listed incorrectly on the bond, the bond company may issue a “Rider” to correct the information. Each “Rider” must also have a Power of Attorney attachment included with it.

**7. Format and amount:** The bond must be in the language approved by the department and be in the amount of \$25,000. A copy of the approved bond language is included in the instructions to the application.

**3.11 Phone Listings.** The telephone number must be listed in the exact and complete name under which the dealer conducts business.

**3.12 Employer Identification Number.** If the applicant is a partnership, corporation, limited liability company, or limited partnership, then an Employer Identification Number (EIN) must be obtained from the Internal Revenue Service and provided on the application.

**3.13 Felony Convictions.** The application Statement of Ownership asks if any person named in the application has **ever** been convicted of a felony or is presently charged with the commission of any such crime. The question must be answered truthfully. If it is discovered that an applicant did not disclose he/she had a conviction, it is considered a misrepresentation on the application that could result in not only the application being denied, but also denial of future applications, and/or civil penalties. Copies of any and all conviction documents must be submitted with the application.

**3.14 Sign the Application.** After the applicant has confirmed that all fields are completed, all questions are answered, and all items required are attached, the applicant or its authorized agent should sign the application. Carefully read the certification of responsibility. The applicant or its agent is certifying that the statements made and on attachments and documents submitted are true, complete and correct; the applicant agrees to permit the agency to examine the applicant’s records during working hours; and the applicant is not delinquent in paying child support. If the applicant makes any misrepresentations on the application, the application could be denied and the applicant or its agent may subject itself to civil penalties, denial of future applications, and/or criminal prosecution.

**3.15 Amending a Current License.** Any change in the licensed entity, name or ownership of the dealership, addition of a location, deletion of a location, relocation of the dealership, change in mailing address, contact information, business phone number and email address, must be reported to the agency. Failure to notify the agency of

changes in address (physical and mailing), telephone number, name, type of entity, ownership, or of new locations, within ten (10) days after such change may result in a civil penalty, license revocation, or license suspension. **It is critical that the dealer comply with this requirement.** The agency must be kept aware of this information in order to provide you and your potential customers with the most up-to-date information about the motor vehicle marketplace.

**a. Adding an Additional Location.** If a GDN dealer wishes to add a new additional location or move to a new location, the dealer will need to either amend the current GDN license or apply for a new GDN license depending on where the new location is located in relationship to the currently licensed location. If the new location is within the same city limit as the currently licensed location or outside the same city limit as the currently licensed location, need to submit a GDN amendment application (form # LF021) along with a minimal fee of \$25.00 and any required attachments. If the new location is not within the same city limits or outside the same city limits as the currently licensed location, need to submit a new GDN application (form # LF001), minimum fee of \$700.00 and all required attachments, including a new motor vehicle surety bond, if applicable, to have a different GDN issued for the new location. A franchised dealer must submit a new franchised dealer license application for each location at which new motor vehicle sales or warranty service will occur. A franchised dealer may submit a franchised amendment application (form # LF121) to add a supplemental location (used car lot) that is within the same city limits or outside the same city limits has the current franchised license as long as the same GDN vehicle type will be sold at the supplemental location.

**b. Moving to a New Location, Deleting a Location or Closing the Business.** Should a dealership move, close a location or close business, the agency should be notified as soon as possible, preferably before the change occurs to avoid licensing issues

**c. Changing the Name or Ownership of the Dealership.** To maintain a license, a dealership must have its license, bond and lease all in the same name. Current administrative rules require that a dealership notify the agency within 10 days of the change of any name or any ownership change

**d. Changing the Type of Entity of the Dealership.** If a sole proprietor incorporates or takes on a partner, the agency should be notified, so that the new business entity may be licensed. Based on the circumstances, a new license or a license amendment would be required. Failure to do so could result in a fine and suspension of the right to do business.

**e. Transfer or Assignment of License.** A dealer license issued by the agency is not transferable or assignable. The state-issued license may not be considered part of a buy/sell agreement of a franchised dealership. A license is not automatically transferred by a court order directing the change of the ownership of a licensed dealer. In such cases, the transferee, assignee, buyer or other person receiving the benefit of the dealership is required to apply for a license in his or her own individual or business name and meet all the qualifications for the license.

**3.16 Obtaining A Franchised License.** Any person who wants to engage in the business of buying, selling or exchanging new motor vehicles and servicing or repairing motor vehicles pursuant to the terms of a franchise and a manufacturer's warranty must obtain a GDN. In addition, each facility where new motor vehicles are sold, displayed or serviced must have a franchised license.

**3.17 Service-Only Facilities.** Only licensed franchised dealers may open a separate service-only facility to perform warranty work on the line-make they are franchised and licensed to sell. This license is like a franchised license in that it may be subject to protest by other like line-make franchised dealers

**3.18 Protest Area.** Existing dealers of the same line-make may have the right to protest the establishment of a new franchised dealership or relocation of an existing licensed franchised dealership if the requirements of 43 TAC §215.105 et seq are met. Under the Texas Occupations Code, an existing dealer may protest an application for the establishment of a same line-make dealership or the addition of a line to an established dealership, if the proposed dealership is in the same county or within 15 straight-line miles from the existing dealer. An existing like-line dealer located within the same county or within 15 straight-line miles may protest the relocation of a dealership if the proposed relocation site is farther than two miles from the site from which the dealership is being relocated, and the relocation site is closer to the existing dealer than the site from which the dealership is being relocated. For relocations within or between counties with a population of one million or more or a population of 500,000 or more (known as an affected county) where the proposed new location is more than 2 miles from the site from which the dealership is being relocated, all like-line dealers within a 15-mile radius around the proposed new dealership location and the proposed new dealership location is moving closer are eligible to protest. If there are no like-line dealers within a 15-mile radius in which the proposed new location is moving closer, the closest like-line dealer within the same county in which the proposed new dealership location is moving closer too is eligible to protest. The Motor Vehicle Division will send a Notice of Eligibility to Protest letter to each protestable dealer of these applications. The protest period is 15 days from the mailing date of the letter. Further information regarding the protest requirements can be found in sections 2301.652 and 2301.6521 of the Texas Occupations Code, or by contacting TxDMV's Motor Vehicle Division.

**3.19 Relocating a Franchised Dealership.** A franchised dealer may operate several locations within a city limit with one GDN, but a franchise license is required for each separate and distinct showroom that will sell new motor vehicles or provide warranty service. If a franchised dealer relocates a showroom, an application for a new franchised license must be made and approved before opening for business at the new location. The franchised dealer will be able to keep the same GDN if the move is within the same city limits or outside the same city limits as the old location.

**3.20 Addition or Deletion of a Line.** Prior to adding a line to an existing dealership, whether as a new point, an acquisition from an existing dealer or other, a request for a license amendment application must be submitted to the MVD **and** the



approval of such addition obtained. Furthermore, any other information such as a deletion of a line, ownership changes, etc., must be promptly submitted.

**3.21 Special Requirements or Exemptions for Lessors and Lease Facilitators.**

Lessors may be located anywhere; lease facilitators must have a physical presence in Texas. A lessor may operate anywhere in Texas with one license; a facilitator must have a license for each physical location from which he or she operates. Lessors and Lease facilitators must apply for a new license whenever they relocate to another city. For relocations within the same city limits, an amendment application is required.

**3.22 Revocation of Dealer's License.** All the requirements that are needed to obtain a license must be maintained throughout the licensing period. If any of the licensing requirements are allowed to lapse, the dealer's license is at risk of being revoked.

**3.23 Denial of Initial or Renewal Application for Dealer's License.** If a licensee fails to meet or maintain the requirements of a license, the MVD may deny their application for a new license or the renewal of an existing license.

**3.24 Renewing Dealer Licenses.** MVD will mail out renewal applications to licensees between 75 to 90 days before the date of license expiration. Failure to receive the renewal application does not excuse a late renewal. We request renewal applications with all required attachments be submitted to the agency at least 45 days before license expiration to allow for application processing and the issuance of a new license and renewal stickers for metal plates before expiration. If a licensee submits a timely and sufficient renewal application prior to the license expiration date, the licensee may continue business activities while the renewal application is being processed. If a licensee submits a renewal application after the license expiration date, the licensee is not authorized to continue licensed activities, including entering the auction to buy vehicles and access to E-Tags, until the license is renewed. Failure to submit a renewal application within the time specified will cause a licensee to be assessed a penalty of 50 percent of the application fee amount for each 30-day period the license is expired. If a renewal application is not received within 90 days after the license expiration date, the licensee will have to submit an application for a new license.

**3.25 Applicant's Procedures and Rights.** Licensees or applicants who are denied renewal or an initial license are notified of the application denial. A license denial letter and notice of hearing to be held before the State Office of Administrative Hearings will be issued and sent to the licensee or applicant. If a renewal application is denied, the dealership may be able to continue operating until the hearing results are final provided all requirements for the license continue to be met. See Chapter 12 for more information on the hearing process.