

**First Regular Session  
Seventy-fourth General Assembly  
STATE OF COLORADO**

**INTRODUCED**

LLS NO. 23-0194.01 Jery Payne x2157

**SENATE BILL 23-078**

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**SENATE SPONSORSHIP**

**Fields and Van Winkle,**

**HOUSE SPONSORSHIP**

**Jodeh and Lynch,**

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**Senate Committees**

Business, Labor, & Technology

**House Committees**

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**A BILL FOR AN ACT**

101 **CONCERNING WARRANTY REIMBURSEMENTS MADE BY A MOTOR**  
102 **VEHICLE MANUFACTURER TO MOTOR VEHICLE DEALERS.**

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**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://leg.colorado.gov>.)*

Current law requires a motor vehicle manufacturer (manufacturer) to timely compensate a motor vehicle dealer (dealer) for warranty repairs based on the dealer's typical charges for parts and labor if these charges are reasonably consistent with the law governing the setting of these charges. The bill repeals the condition that the charges must be reasonably consistent with this law, requiring the manufacturer to pay the

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters or bold & italic numbers indicate new material to be added to existing law.  
Dashes through the words or numbers indicate deletions from existing law.*

charges even if there is a dispute as to the charges. The law governing the setting of these charges is not repealed, so the charges must continue to comply with the law.

In setting the charges described above, current law prohibits the manufacturer from establishing unreasonable labor flat rates for the repairs. The bill changes this requirement so that the manufacturers must pay the retail labor rate multiplied by the applicable time allowances prescribed in the labor time guide used by the dealer.

Current law governing these charges allows a manufacturer to challenge the setting of a labor rate or part markup if either is inaccurate or if either is substantially different than the charges of other similarly situated line-make dealers. The bill repeals the manufacturer's ability to challenge these charges when the rates are substantially different than the charges of other similarly situated line-make dealers.

In order to challenge the setting of a labor rate or part markup as allowed in current law, the manufacturer is required to provide the dealer a notice that explains why the calculation is subject to contest. The bill changes this requirement, stating instead that the notice must explain why the calculation is materially inaccurate.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, 44-20-141.5, **amend**  
3 (2), (6)(a)(I) introductory portion, (6)(a)(I)(A), (6)(a)(II), (7) introductory  
4 portion, and (7)(a) as follows:

5 **44-20-141.5. Fulfillment and compensation for warranty and**  
6 **recall obligations - definitions.** (2) At a motor vehicle dealer's request,  
7 a manufacturer shall timely compensate the motor vehicle dealer at the  
8 retail labor rate and the retail parts markup percentage in accordance with  
9 ~~subsection (3)~~ of this section for all labor performed and parts used by the  
10 motor vehicle dealer for covered repairs performed in accordance with the  
11 warranty obligation. ~~if the retail labor rate and retail parts markup~~  
12 ~~percentage are reasonably consistent with the requirements of this section~~  
13 ~~that concern the retail labor rate and parts markup percentage.~~

14 (6) (a) (I) If the submitted calculation of the retail labor rate or

1 retail parts markup percentage is DEEMED materially inaccurate, ~~or is~~  
2 ~~substantially different than the rate of or percentage of other similarly~~  
3 ~~situated same line-make dealers within the state~~, a manufacturer may  
4 contest the motor vehicle dealer's submitted calculations of the retail labor  
5 rate or retail parts markup percentage by delivering a notice to the motor  
6 vehicle dealer within forty-five days after receiving the submission in  
7 accordance with subsection (3) of this section from the motor vehicle  
8 dealer. To comply with this subsection (6), the notice must:

9 (A) Include an explanation of the reasons ~~that~~ WHY the  
10 manufacturer believes the calculation is ~~subject to contest~~ MATERIALLY  
11 INACCURATE;

12 (II) Upon the discovery of new relevant information by the  
13 manufacturer, the manufacturer may modify the ~~grounds~~ REASONS for  
14 contesting the retail labor rate or retail parts markup percentage after  
15 delivering the notice to the motor vehicle dealer under this subsection (6),  
16 but the modification does not change the timing requirements in this  
17 section.

18 (7) When calculating the retail labor rate and the retail parts  
19 markup percentage OR WHEN COMPENSATING A MOTOR VEHICLE DEALER  
20 FOR A WARRANTY OBLIGATION, the manufacturer:

21 (a) ~~Shall not establish an unreasonable flat-rate time, nor establish~~  
22 ~~unreasonable flat-rate labor times for new line-makes that are inconsistent~~  
23 ~~with the existing rates~~ SHALL PAY AN AMOUNT FOR LABOR EQUAL TO THE  
24 RETAIL LABOR RATE MULTIPLIED BY THE APPLICABLE TIME ALLOWANCES  
25 PRESCRIBED IN THE LABOR TIME GUIDE USED BY THE MOTOR VEHICLE  
26 DEALER FOR NONWARRANTY REPAIRS;

27 **SECTION 2. Act subject to petition - effective date -**

1     **applicability.** (1) This act takes effect at 12:01 a.m. on the day following  
2     the expiration of the ninety-day period after final adjournment of the  
3     general assembly; except that, if a referendum petition is filed pursuant  
4     to section 1 (3) of article V of the state constitution against this act or an  
5     item, section, or part of this act within such period, then the act, item,  
6     section, or part will not take effect unless approved by the people at the  
7     general election to be held in November 2024 and, in such case, will take  
8     effect on the date of the official declaration of the vote thereon by the  
9     governor.

10           (2) This act applies to warranty repairs made on or after the  
11     applicable effective date of this act.