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DRIVER AND VEHICLE SERVICES
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Those Required to Have a Dealer License

Thank you for your inquiry regarding dealer license requirements. Following is some general information that may help you determine whether you are required to have a dealer license and whether you are interested in applying for a license.

The attached chart reflects basic requirements and the activity limitations of each type of license offered.

Who Must Have a Dealer License:

Motor Vehicles

Anyone who wishes to advertise, offer, solicit or engage in the business of leasing, selling new or used motor vehicles or arranging the sale of motor vehicles. Reference: Minnesota Statute 168.27

Anyone who has leased or sold more than five motor vehicles, either wholesale or retail, in a twelve month period is considered to be in the business of buying and selling motor vehicles and is required to be licensed. Reference: Minnesota Statute 168.27, Subd. 1 (9) and Minnesota Statute 168.27, Subd. 8 (2)

Used Vehicle Parts/Scrap Metal

Anyone who is in the business of selling used motor vehicle parts or processing and selling scrap metals from motor vehicles is required to be licensed. Reference: Minnesota Statute 168.27

Consignment Sales/Brokered Sales and Leases

Anyone who conducts consignment sales or arranges sales or leases must be licensed.

Motor Vehicles Sales Tax and Title Transfer Requirements:

Anyone who is licensed as a motor vehicle dealer is exempt from paying motor vehicle sales tax on their acquisition of any motor vehicle for which they are licensed to lease or sell and is not required to title the vehicle into the dealership name (due to the Federal Truth In Mileage Act there are some exceptions to the title requirement). Any vehicle used for lease must be titled into the lessor's name.

Anyone who is not licensed to lease or sell motor vehicles must pay applicable taxes and fees, including motor vehicle sales tax, on their acquisition of each motor vehicle and transfer each motor vehicle into their name before they can sell that vehicle. Reference: Minnesota Statute 297B.035 Subd. 1, Minnesota Statute 168A.10 Subd. 2 and Minnesota Statute 168A.11 Subd. 1

Access to Motor Vehicle Auctions:

Motor vehicle auction companies (North Star, MAA, etc.) are free to choose whom they wish to do business with. More often than not, they choose to do business with licensed motor vehicle dealers.

Zoning:

A dealership of any type is considered to be a commercial operation. Dealer license locations are required to be in a commercial location. In agricultural and industrial areas, zoning officials may consider issuing special use permits for a commercial operation. In any case, the applicant must review their intentions with the local zoning officials and obtain their written consent for the type of business the applicant wishes to conduct.

Location Requirements

As a licensee you are required to have a completed location designed for the exclusive use of the dealership that meets all of the location requirements and attest to their existence at the time of application. If it is determined that, upon the State's inspection of your business site, you have not met the minimum requirements, your license may be denied.

New and Used Dealer

- **A commercial building is required.** This means a permanent, enclosed building that is on a permanent foundation and connected to local sewer and water facilities or otherwise complies with local sanitary codes. A commercial building may include part of a strip mall. A separate entrance and separate address are maintained and the dealership is clearly identified as a separate business. No person or business other than the dealership can conduct business at the dealership's location. The "dealer" may conduct other business in the office space provided the dealer keeps separate records for the dealer business.
- In the event that the dealership will be operating in a building where other businesses are located, the dealership location must be set up in such a way that it is clearly separated.
- The dealership must be enclosed with floor to ceiling walls with a door that can be shut and locked to close off the entire entrance and is designated for the exclusive use of the dealership.
- There must be a separate and identifiable entrance to the dealership that leads to the outdoors or to a public area (If strip mall). Note: shared office space such as a reception area or secretary pool does not qualify as a public area.
- The dealership **cannot** be accessed by entering through any other business that is located in the building.

Wholesale, Lessor, Broker

- **A commercial office space is required.** This means an office space occupying all or part of a commercial building.
- The office space must be enclosed with floor to ceiling walls and must be for the exclusive use of the dealer. No person or business other than the dealership can conduct business in the office space. The "dealer" may conduct other business in the office space provided the dealer keeps separate records for the dealer business. If the office space has other doorways leading to their areas in the same building they must be closed and locked during normal business hours.

- The dealership must be enclosed with floor to ceiling walls with a door that can be shut and locked to close off the entire entrance and is designated for the exclusive use of the dealership.

Used Motor Vehicle Parts/Scrap Metal

Are required to have a commercial location with an address where the books, records and files will be maintained and made available for inspection and telephone answering services.

License Renewal

Licenses expire twelve months after initial application if the license is approved. They are renewed via a renewal application issued by the department. Renewal fees are \$150 for DLR licenses and \$10 for DSB licenses.