ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-5-12
DEALER LICENSE

810-5-12.-02 Motor Vehicle Surety Bond.

(1) Sections 40-12-398, 40-12-414, 40-12-448, and 32-8-34, Code of Ala. 1975, require motor vehicle dealers, automotive dismantler and parts recyclers, licensed wholesale auctions, designated agents, and title service providers to execute and deliver to the department a continuing surety bond. The surety bond must be executed by a surety company authorized to do business in Alabama. The amount of the surety bond is fifty thousand dollars ($50,000).

(2) The properly completed surety bond includes, but is not limited to the following information:

(a) Legal name of business and trade name or DBA (if applicable) and mailing address.

(b) The city, county and state in which the business is located.

(c) Name(s) and signature(s) of representative(s) of business authorized to execute surety bond on behalf of the business.

(d) The name and address of the surety company providing the coverage.

(e) The effective date.

(f) The issue date of the bond.

(g) The signature of an agent of the surety company.

(h) A telephone number for the surety company.

(3) The following requirements must be met in order for the bond to be accepted by the department:

(a) The bond must be in its original form and not altered or recreated.

(b) The bond must be accompanied by a power of attorney form, indicating that the agent is authorized to execute the bond on behalf of the surety company.

(c) The bond and power of attorney must have the same issue date.

(d) The bond must be signed by the applicant.

(e) The bond must be payable to the Alabama Department of Revenue.

(f) In lieu of handprinted names and signatures, an electronic signature is acceptable if authorized by the department. An electronic signature is an electronic sound, symbol, or process attached to or logically associated with a document and executed or adopted by a person with the intent to sign the document.

(4) The coverage period begins on the issuance date of the applicable license. The department must be notified of any change in the status of the bond.

(5) If a notice of cancellation is received from the surety company and a new bond is not provided prior to the date of cancellation, the license and/or designated agent status will be revoked immediately, and the licensee or designated agent must submit a new surety bond to be reinstated.

(6) Claimant Procedures for Making a Bond Claim. The following procedures must be followed for making a bond claim with the department:

(a) A claimant must first secure a final judgment from a court of competent jurisdiction.

(b) A claimant must exhaust all available remedies in attempting to collect the judgment, prior to making a bond claim with the department.

(c) A claimant must submit the following items to the department:

1. A complaint relating to the violation of the conditions of a contract made in connection with the sale or exchange of a motor vehicle; or the violation of any provision of law relating to the conduct of the business of a motor vehicle dealer, automotive dismantler and parts recycler, wholesale auction, designated agent, or title service provider.

2. A final judgment relating to the complaint in subparagraph (a) above. The certificate or any documents must be signed by the judge.

3. A description of efforts made to enforce the judgment; along with a statement of all amounts recovered, or a statement that no amount has been recovered.

(d) Upon receipt of the required documents, the department will determine if the motor vehicle dealer, automotive dismantler and parts recycler, wholesale auction, designated agent, or title service provider has violated the provisions of Title 40, Chapter 12, Article 8, 9, or 10 or Title 32, Chapter 8.

(e) If additional information is required, the claimant will be contacted.

(7) Filing of Bond Claim with Surety Company. If determined that a violation has occurred, the department shall file a claim with the surety company of record. The maximum amount of the claim filed cannot exceed the value of the bond.

(a) Upon receipt of the claim, the surety company has thirty (30) days to remit the payment or request an extension to further investigate the claim.

(b) The surety company may request additional information from the claimant to substantiate the claim.

(c) Upon determination that the claim is valid, the surety company must remit payment to the department.

(d) Upon receipt of payment from the surety company, the department will remit payment to the claimant.

(e) If the surety company fails to respond by the deadline, the claim will be forwarded to the department's legal division for further action.

(8) The total amount of all bond claims made against a single bond must not exceed $50,000. Once the bond claim limit of $50,000 has been reached, no further claims will be allowed against the bond.

(9) Pursuant to §40-12-398, Code of Ala. 1975, a tax liability incurred under Chapter 23 of Title 40 for the sale of a motor vehicle may also be assessed against the bond. Such assessment must only be made when the tax liability under Chapter 23 of Title 40 is no longer subject to appeal.

Author: Don Clemons, Mike Gamble, Tammy Fuller
Statutory Authority: Code of Ala. 1975, §§40-2A-7(a)(5), 40-12-392, 40-12-398, 40-12-448.
History: New Rule: Filed July 30, 2012; effective September 3, 2012. **Amended:** Filed October 27, 2014; effective December 1, 2014. **Amended:** Filed October 20, 2017; effective December 4, 2017. **Amended:** Published July 31, 2020; effective September 14, 2020.