



January 14, 2026

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Commr. Bob Jacobson
Minnesota Department of Public Safety
445 Minnesota Street, Suite 1000
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VIA EMAIL AND U.S. MAIL

Re: Improper Application of Fingerprint-Based Background Check Requirements to Dealer License Renewals

Dear Commissioner Jacobson,

The Minnesota Automobile Dealers Association (MADA) writes to raise urgent concerns regarding Driver and Vehicle Services' (DVS) interpretation and implementation of recent amendments to Minnesota's dealer licensing statute that took effect on January 1, 2026, Minn. Stat. § 168.27, subd. 11(i)–(j). DVS is now applying these amendments to require fingerprint-based federal background checks for *existing dealers renewing their licenses*, a result that fundamentally alters the dealer licensing process statewide.

This interpretation conflicts with both the plain language of the statute and the manner in which DVS presented the legislation to MADA and other stakeholders during the 2025 Legislative Session. These provisions do not—and were never intended to—apply to routine dealer license renewals. Nonetheless, DVS's current approach imposes immediate and significant burdens on thousands of established, law-abiding Minnesota businesses.

Legislative Background and Representations to MADA

During the 2025 Legislative Session, DVS successfully advanced legislation expanding dealer license background checks to include fingerprint-based federal background checks.

When DVS presented this proposal to MADA, DVS expressly stated that the requirement would apply only to new dealer license applicants. We were told the change would not affect



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existing dealers renewing their licenses and that we would “probably like it” because of its limited scope.

The Governor’s 2025 budget recommendation document, a copy of which is attached, reflects that same understanding. The document states: “The Governor recommends expanding background checks on applications **to become an auto dealer** to be full nationwide criminal background checks[.]” It further explains: “This would help deter individuals with a history of vehicular-related crimes from **attempting to become licensed.**” The document also states: “DPS anticipates **minimal changes in the licensing process [...] the Dealer Unit currently receives approximately 346 dealership applications per year with an average of 405 owners.**”¹

Relying on these representations, MADA reviewed the draft statutory language and did not object to DVS’ proposal, as it was described as narrowly limited to new dealer license applicants and posed no burden on existing dealers renewing their licenses.

The legislature passed the statute during the 2025 special session, the Governor signed it into law, and it took effect on January 1, 2026.

Alleged “Drafting Error” and Resulting Concerns

Later in 2025, DVS informed MADA that a “drafting error” had occurred during the working group process and that DVS now believed it was required to interpret the statute to apply to all dealer licenses, including annual renewals. DVS acknowledged to MADA that this outcome was not its intent and apologized for the confusion.

Upon further review of the enacted statute and its legislative history, we identified serious concerns. The only difference between the language initially shared with MADA on January 30, 2025 and the enacted law is the placement of the effective date, which is not a material change. This calls into question whether the “drafting error” reflects a misunderstanding by DVS from the outset or, more troubling, whether MADA was misled throughout session about the true scope and impact of the legislation.

Flawed Legal Interpretation

DVS’s current interpretation of the statute conflicts with the plain language of the statute. Under Minn. Stat. § 168.27, subd. 11(j), fingerprinting and a criminal history background check are required for an “**applicant** for a dealer’s license,” and a “new background check is required **only if more than one year has elapsed since the applicant last applied.**” By its terms, subdivision 11(j) does not impose a fingerprinting requirement on a dealer who timely submits a renewal after January 1, 2026. The one-year lookback provision directly limits when a new background check, and therefore fingerprinting, is required.

¹ If DVS and the Governor’s Office had intended to alter the dealer license renewal process, that figure would have exceeded 7,000 applications per year.

While DVS may contend that the first renewal after the statute's effective date of January 1, 2026 constitutes a "new application" and therefore triggers fingerprinting and a federal background check, this argument is incorrect. Because dealer licenses are renewed annually, the first renewal under the amended statute, and all subsequent timely renewals, fall within the one-year lookback period and do not trigger a new background check.

Furthermore, the term "applicant for a dealer's license" refers to first-time applicants, not dealers renewing their licenses. Minn. Stat. § 168.27 uses the term "renewal" four times when addressing continued licensure and consistently distinguishes renewals from original applications. For example, Minn. Stat. § 168.27, subd. 9 states that "all license applications under this section and all license renewals must be made to the registrar of motor vehicles and duly verified by oath." the legislature's repeated and deliberate use of the term "renewal" demonstrates that renewals are treated as a distinct category from an "application."

Subdivision 11(j)'s fingerprinting requirement, which applies to an "applicant" and triggers a new background check only when more than one year has elapsed since the last application, must be read in that context. Under a plain reading, routine and timely renewals fall outside the scope of the fingerprinting requirement, and DVS's interpretation disregards the statute's plain language.

Significant Impact and Burdens on Dealers

Under DVS's current interpretation, the law dramatically expands the scope of dealer background checks in a way that was never intended and provides no public policy benefit. What was previously intended to apply to a few hundred new applicants each year now applies to roughly 7,000 licensed dealers annually, as well as all their owners (with a five percent or greater ownership interest), officers, and board members.

Even setting aside the legal flaws, this approach imposes an unreasonable burden on dealers. They must appear annually at a law enforcement facility or the BCA for fingerprinting—a level of recurring scrutiny that few other licensed businesses face. No taxpayer dollars are involved; these are private business owners, many of whom have owned and operated their dealerships for decades, simply seeking to continue operating lawfully. Dealers in rural areas report having to drive more than an hour to reach the nearest approved fingerprinting location. Dealers will incur additional costs, face inevitable delays due to the volume of roughly 7,000 licenses, and risk license lapses through no fault of their own. These burdens are even more severe for dealers and owners who live out of state.

This requirement is unnecessary for franchised new motor vehicle dealers. Manufacturers already conduct extensive background checks before issuing a franchise, and franchise agreements typically require termination if a dealer or principal commits a crime that brings disrepute to the manufacturer. To our knowledge, no Minnesota new car dealer has engaged in fraud or systemic criminal conduct that would justify this sweeping and repetitive requirement.

Need for Immediate Relief and Legislative Correction

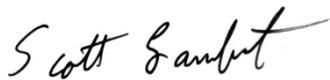
Although the statute does not apply to timely license renewals, MADA will aggressively pursue legislative amendments to eliminate any ambiguity and confirm that federal criminal background checks and fingerprinting do not apply to routine dealer license renewals. However, even under the best circumstances, a statutory fix will take months. Dealers with licenses up for renewal in the interim cannot wait for the start of this upcoming legislative session. Without immediate administrative relief, many dealers will face unnecessary costs, delays, and the risk of license lapses based solely on DVS's flawed interpretation of a statute that was never intended to apply to dealer license renewals.

Conclusion

For these reasons, MADA urges DPS to reconsider its interpretation and implementation of Minn. Stat. § 168.27, subd. 11(i)–(j). At a minimum, DPS should immediately suspend application of the fingerprinting requirement to license renewals and work with stakeholders to align enforcement with the statute's plain language and the intent communicated throughout the legislative process.

In closing, we value our productive relationship with DVS, and we welcome the opportunity to discuss this matter further. We look forward to your prompt response.

Regards,



Scott Lambert
President, Minnesota Automobile Dealers Association

cc: Tim Lynaugh, Assistant Commissioner, DPS
Pong Xiong, Director, DVS
Greg Loper, Vehicle Services Program Director, DVS
Kim Parker, General Counsel, DPS
Megan Gallagher, Legislative Affairs Director, DPS
Rep. Jon Koznick, Co-Chair, House Transportation Committee
Rep. Brad Tabke, Co-Chair, House Transportation Committee
Sen. Scott Dibble, Chair, Senate Transportation Committee
Sen. John Jasinski, Ranking Member, Senate Transportation Committee

Department of Public Safety

FY 2026-27 Biennial Budget Change Item

Change Item Title: Background Check Expansion for Auto Dealers

Fiscal Impact (\$000s)	FY 2026	FY 2027	FY 2028	FY 2029
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Other Funds				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Net Fiscal Impact = (Expenditures – Revenues)	0	0	0	0
FTEs	0	0	0	0

Recommendation:

The Governor recommends expanding background checks on applications to become an auto dealer to be full nationwide criminal background checks through the Federal Bureau of Investigation (FBI) for each owner from all states going back to the age of 18. This proposal also includes a language change removing the ten-year timeframe for convictions that could result in the denial of a dealer license.

Rationale/Background:

The current process used by the Department of Public Safety (DPS) Driver and Vehicle Services (DVS) Dealer Unit checks the public access court site for criminal history of dealer applicants. If they are provided with an out-of-state credential, they check similar sites available for that state. This current practice is limited to state of Minnesota information and if an applicant has a criminal record in another state, that information is not known.

Allowing the Dealer Unit to request a copy of a General Informed Consent background check providing a full adult record going back to age 18 to be submitted with the dealer application would allow DVS to see a full criminal background. This would also help deter individuals with a history of vehicular-related crimes from attempting to become licensed.

Changing the language in M.S. 168.27, subdivision 11, paragraph (e) would allow the DVS Dealer Unit to have more complete information when approving or denying dealer license applications.

DPS anticipates minimal changes in the licensing process. A different system would be utilized to run the background checks. On average, the Dealer Unit currently receives approximately 346 dealership applications per year with an average of 405 owners.

Proposal:

The Governor recommends expanding background checks on applications to become an auto dealer to be a full criminal background check for each owner from all states going back to the age of 18. This proposal would also include a language change removing the ten-year timeframe for convictions that could result in the denial of a dealer license. This proposal will replace the existing background check process and will not require additional staffing. Because this background check would take the place of the current check done, DVS does not anticipate additional time needed for the application process.

By removing the 10-year limitation on violations and running a full background check on the entire adult criminal record, DVS anticipates having more discretion with approving or denying dealer license applications by having more complete knowledge of an applicant's full criminal history. Background checks would be run through the Bureau of Criminal Apprehension (BCA) Criminal History (CHA) Unit. Each General Informed Consent background

check currently costs \$33.25 plus \$10 for fingerprinting service, and DVS estimates approximately 405 background checks to be conducted annually. DVS will request that each person applying to become a dealership owner submit the background check for each owner to DVS with the dealership application. The change item “Impact on BCA Fee Revenue of DVS Funding Recommendation” in the Public Safety – Public Safety budget book displays the fiscal impact of additional background checks.

This proposal would require programming of MNDRIVE by the vendor totaling approximately \$17,000 to accommodate recordkeeping of the background checks. The programming cost would be absorbed by DVS under the existing vendor contract.

To allow for development time, discussions with key stakeholders, and communications to dealerships, the proposal has an effective date of January 1, 2026.

Dollars in Thousands

Fund	Component Description	FY 25	FY 26	FY 27	FY 25-27	FY 28	FY 29	FY 28-29
Special Revenue – DVS Technology Account	Programming (absorbed)		17					

Impact on Children and Families:

This proposal is designed to increase the confidence of Minnesotans in licensed auto dealers in Minnesota. By utilizing broader background checks, those with demonstrated disqualifying criminal history will be excluded from holding a dealer license. This will allow families to have greater confidence in the auto dealership approval process and to have greater confidence in auto dealerships.

Equity and Inclusion:

This proposal is anticipated to have the greatest positive impact on those with lower incomes who are more likely to do business with dealerships where the owner should be excluded from owning a dealership. Because people of color, Native Americans, people with disabilities, people in the LGBTQ community, and other protected classes traditionally have less disposable income, this proposal will have a greater proportional impact on these communities.

Tribal Consultation:

Does this proposal have a substantial direct effect on one or more of the Minnesota Tribal governments?

☐ Yes
☒ No

Results:

DVS will measure the success of this background check program based on the quality of the background checks received and the number of jurisdictions queried during the process.

Measure	Measure type	Measure data source	Most recent data	Projected change
Number states queried in dealer background check process for each application	Quality / quantity	DVS will monitor the total number of applications to determine the impact of this change	Currently one - Minnesota	Under new plan we will expand this to all 50 States and the District of Columbia.

Statutory Change(s):

M.S. 168.27, subdivision 11, paragraph (e)