

**House File 2197 - Introduced**

HOUSE FILE 2197  
BY COOLING

**A BILL FOR**

- 1 An Act relating to franchisee compensation and time allowances
- 2 for motor vehicle warranty services, and including
- 3 applicability provisions.
- 4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. Section 322A.5, subsection 2, paragraph b, Code  
2 2026, is amended by striking the paragraph and inserting in lieu  
3 thereof the following:

4 b. A franchiser shall pay the franchisee for warranty  
5 services, including for parts, labor, and diagnostics, an amount  
6 not less than the rates and labor times charged by the franchisee  
7 for like parts and services to retail customers, provided the  
8 rates and labor times are reasonable. A franchisee shall provide  
9 to the franchiser an itemized list of rates and labor times for  
10 warranty services performed by the franchisee.

11 Sec. 2. Section 322A.5, subsection 2, paragraph c, Code 2026,  
12 is amended to read as follows:

13 ~~c. The franchiser shall provide to the franchisee a list of~~  
14 ~~time allowances for the performance of warranty services. Time~~  
15 ~~allowances for the performance of~~ A franchisee shall perform  
16 warranty services, including diagnostic services, shall be in a  
17 reasonable and adequate for the services to be performed amount  
18 of time.

19 Sec. 3. APPLICABILITY. This Act applies to franchises under  
20 chapter 322A entered into or renewed on or after the effective  
21 date of this Act.

#### 22 EXPLANATION

23 The inclusion of this explanation does not constitute agreement with  
24 the explanation's substance by the members of the general assembly.

25 Under current law, both a franchiser (a manufacturer or  
26 distributor of motor vehicles) and franchisee (a person who  
27 receives motor vehicles from the franchiser under a contract  
28 and who offers and sells such motor vehicles to the general  
29 public) are required to fulfill the terms of any express or  
30 implied warranty concerning the sale of a motor vehicle to  
31 the public. A franchiser must compensate a franchisee for  
32 the warranty services the franchiser requires the franchisee  
33 to provide. The franchiser is required to provide to the  
34 franchisee a schedule of compensation that specifies reasonable  
35 compensation the franchiser will pay to the franchisee for such

1 warranty services, including for parts, labor, and diagnostics.  
2 The schedule of compensation must provide for the franchisee's  
3 average percentage markup on parts, as calculated by the  
4 franchisee, and the franchisee's retail labor rate, both of which  
5 must be approved by the franchiser. The franchiser must pay a  
6 franchisee for warranty parts and labor at least the franchisee's  
7 retail rates for like parts and services, if those retail rates  
8 are reasonable. The franchiser is required to provide a list of  
9 reasonable and adequate time allowances for the performance of  
10 warranty services.

11 This bill strikes the requirement for a franchiser to provide  
12 a schedule of compensation, and the related schedule provisions,  
13 and instead requires a franchiser to pay a franchisee for  
14 warranty services, including for parts, labor, and diagnostics,  
15 an amount not less than the rates and labor times charged  
16 by the franchisee for like parts and services to retail  
17 customers, provided the rates and labor times are reasonable. A  
18 franchisee is required to provide to the franchiser an itemized  
19 list of rates and labor times for warranty services performed  
20 by the franchisee. The bill also strikes the requirement  
21 for a franchiser to provide a list of time allowances for  
22 the performance of warranty services, and instead requires a  
23 franchisee to perform warranty services in a reasonable amount of  
24 time.

25 The bill applies to franchises under Code chapter 322A entered  
26 into or renewed on or after July 1, 2026.