

★ BUY HERE PAY HERE DEALERSHIP ★

New Business Setup Checklist

State of Texas | Comprehensive Compliance & Operations Guide

Dealership Name: _____ Date Started: _____ Owner/Manager: _____

This checklist covers every major step to legally establish and operate a Buy Here Pay Here (BHPH) used-car dealership in Texas. Work through each section in order, checking off items as they are completed. Retain copies of all licenses, filings, and agreements.

1. Business Formation & Structure

- Choose a legal business entity — *LLC, Corporation, or Sole Proprietorship*
 - Most BHPH owners choose LLC or S-Corp for liability protection
 - Consult a Texas attorney or CPA before deciding
- File formation documents with the Texas Secretary of State — *sos.state.tx.us*
 - LLC: Certificate of Formation (Form 205) — \$300 filing fee
 - Corporation: Certificate of Formation (Form 201) — \$300 filing fee
- Obtain a Federal Employer Identification Number (FEIN/EIN) — *IRS Form SS-4, irs.gov — free*
- Register business name / DBA with county clerk if operating under a trade name
- Draft and execute an Operating Agreement (LLC) or Corporate Bylaws
- Open a dedicated business checking account
- Obtain a Texas Sales and Use Tax Permit — *Texas Comptroller — comptroller.texas.gov*

2. Texas DMV & Dealer Licensing (TXDMV)

⚠ Note: All Texas motor vehicle dealers must hold a valid GDN (General Distinguishing Number) issued by TxDMV. Operating without one is a criminal offense.

- Submit Dealer License Application to TxDMV — *txdmv.gov*
 - Complete Form VTR-900 (Dealer License Application)
 - Pay application fee: \$700 (Independent/Used Car Dealer)
- Obtain a GDN (General Distinguishing Number)
- Establish a permanent, enclosed display lot (minimum 1 vehicle display space)
 - Must have a permanent office and sign visible from road
 - Must be open for business at least 8 hours/week
- Maintain a compliant dealer record-keeping system (deal jackets, title files)
- Designate a licensed Dealer Manager (if not the dealer)
- Pass TxDMV pre-licensing inspection of the physical location
- Submit surety bond — \$25,000 for independent dealers — *Required by TxDMV*
- Post required dealer license and bond certificate at the place of business

3. Local Business Permits & Zoning

- Verify lot location is zoned for retail automobile sales (contact city/county planning)
- Apply for a City or County Business License/Occupancy Permit
- Obtain a Certificate of Occupancy (CO) for the office/lot space
- Check deed restrictions or HOA rules (if applicable)
- Secure any local signage permits required by municipality

4. Finance & BPH Operations Setup

⚠ Note: BPH dealerships that hold their own retail installment contracts are subject to Texas Finance Code Chapter 348 (Motor Vehicle Installment Sales). You are acting as a creditor.

- Obtain an OCCC license from the Texas Office of Consumer Credit Commissioner (OCCC) before offering in-house financing — occc.texas.gov
 - Required for any dealer who holds their own retail installment contracts (BPH model)
- Obtain Retail Installment Sales Contracts (RISC) from an OCCC-approved vendor — *Texas Finance Code Ch. 348*
 - OCCC must approve the contract form — you cannot use a self-drafted or unapproved form
 - Purchase RISCs from an OCCC-approved vendor (e.g. Reynolds & Reynolds, RouteOne, or similar)
- Establish credit application and underwriting criteria
- Create a consistent deal documentation checklist (see Section 8)
- Implement a payment collection process (in-person, app, auto-draft)
- Set up GPS / starter interrupt device policy and disclosure (required by Texas law if used)
- Obtain a Consumer Reporting Agency (CRA) subscriber agreement if pulling credit reports
- Ensure compliance with the Fair Credit Reporting Act (FCRA) if reporting to bureaus
- Develop repossession policy and engage a licensed repo company

5. Federal Compliance (CFPB / FTC / Dodd-Frank)

- Determine if you qualify as a 'larger participant' under CFPB rules (generally 10,000+ originations/year)
- Comply with FTC Used Car Rule — post Buyers Guide on every vehicle
- Implement a written Information Security Program (FTC Safeguards Rule, 16 CFR Part 314)
 - Designate a Qualified Individual to oversee the program
 - Conduct risk assessments and maintain written policies
- Comply with Gramm-Leach-Bliley Act (GLBA) privacy notice requirements
 - Provide initial and annual privacy notices to customers
- Implement Red Flags Rule (Identity Theft Prevention Program) — FACTA
- Ensure ECOA (Equal Credit Opportunity Act) and Reg B compliance — no discriminatory lending
- Comply with Truth in Lending Act (TILA) / Regulation Z disclosures on all RISCs

6. Insurance Requirements

- Obtain a Dealer Lot / Garage Keeper's Insurance policy
 - Covers vehicles on lot against theft, fire, hail, vandalism
- General Liability Insurance (minimum \$1M per occurrence recommended)
- Commercial Auto Insurance for dealer plates and test drives
- Workers' Compensation Insurance (required if you have employees in Texas)
- Errors & Omissions (E&O) / Professional Liability Insurance
- Cyber Liability Insurance (strongly recommended — FTC Safeguards Rule compliance)
- Purchase additional coverage for GPS/starter interrupt device liability if used

7. Physical Location & Infrastructure

- Secure lease or purchase agreement for the dealership lot/office
- Install required exterior signage (dealership name, hours, GDN number)
- Set up office with lockable file storage for deal jackets and title documents
- Install internet connection and set up dealer management system (DMS) software
- Set up Point-of-Sale or payment processing system
- Install security cameras (inside office and on lot)
- Obtain a safe or lockbox for titles, cash, and sensitive documents
- Post required federal and state notices (FTC Buyers Guide, ECOA notice, Privacy Notice, etc.)

8. Deal Documentation Checklist (Per Transaction)

⚠ Note: Keep a complete 'deal jacket' for every vehicle sold. Texas law requires dealers to retain records for at least 4 years.

- Buyer's Order (signed by buyer and dealer)
- Retail Installment Sales Contract (RISC) — Texas Finance Code compliant
- FTC Buyers Guide (As-Is or with warranty, signed by buyer)
- Customer credit application
- Government-issued ID copy (driver's license)
- Proof of insurance (dealer cannot drive uninsured vehicle off lot)
- Proof of income and residence documents
- Power of Attorney (if applicable for title transfer)
- Odometer Disclosure Statement (required for vehicles under 10 years / under 16,000 lbs)
- Title transfer documents — submit to TxDMV within 30 days of sale
- GPS / Starter Interrupt Device Disclosure & Consent Form (if device installed)
- GLBA Privacy Notice provided and signed

9. Staffing & HR

- Register with Texas Workforce Commission (TWC) as an employer

- Verify employee eligibility — complete I-9 forms for all new hires
- Register for Texas Unemployment Tax (FUTA/SUTA) with TWC
- Set up payroll processing with federal/state withholding
- Create employee handbook with dealership policies
- Post required federal and Texas labor law notices in the workplace
 - FLSA, FMLA, EEOC, Texas Payday Law, Workers' Comp notices
- Conduct background checks on all employees handling money or titles
- Train staff on FTC Red Flags Rule and GLBA data privacy

10. Accounting & Tax Setup

- Engage a CPA experienced in Texas auto dealer accounting
- Set up chart of accounts for a BHPH dealership (floorplan, RISCs receivable, lot inventory)
- Implement a dealer management system (DMS) with accounting integration
 - Popular options: Frazer, DealerSocket, AutoStar, DealerCenter
- Establish monthly reconciliation procedures for title, inventory, and receivables
- Set up quarterly estimated tax payment schedule (federal & Texas franchise tax if applicable)
- Texas does NOT have a personal income tax, but franchise/margin tax may apply — verify with CPA
- Collect and remit Texas Sales Tax on vehicle sales to the Comptroller

11. Ongoing Compliance & Renewals

- Renew TxDMV Dealer License every 2 years
- Renew surety bond every 2 years
- Renew OCCC license annually — *Renewal window: November 1 – December 31 each year*
- Submit OCCC Annual Report by June 30 each year
 - Report covers prior year lending activity — late filing may result in penalties
- Renew city/county business license as required
- Review and update Information Security Program (FTC Safeguards) at least annually
- Provide annual GLBA Privacy Notice to all active customers
- Complete any required continuing education for dealer license
- Monitor TxDMV and CFPB bulletins for regulatory changes
- Conduct annual staff training on Red Flags Rule, FCRA, and ECOA compliance

12. Key Texas Resources & Contact Information

Agency / Resource	Purpose	Website
TxDMV	Dealer licensing, GDN, title	txdmv.gov
TX Secretary of State	Business formation (LLC/Corp)	sos.state.tx.us
TX Comptroller	Sales tax permit, franchise tax	comptroller.texas.gov

TX Workforce Commission	Employer registration, UI tax	twc.texas.gov
IRS	EIN, federal taxes	irs.gov
FTC	Used Car Rule, Safeguards Rule	ftc.gov/auto
CFPB	Federal consumer finance regs	consumerfinance.gov
NADA / TIADA	Industry training & resources	tiada.com

Completed by: _____ Date: _____ Reviewed by Attorney: Yes No