

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: CS/HB 1203 Registrations and Transfers of Heating, Ventilation, and Air-Conditioning System Manufacturer Warranties

SPONSOR(S): Regulatory Reform & Economic Development Subcommittee, Maggard

TIED BILLS: **IDEN./SIM. BILLS:** SB 1242

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Regulatory Reform & Economic Development Subcommittee	14 Y, 0 N, As CS	Larkin	Anstead
2) Commerce Committee	18 Y, 0 N	Larkin	Hamon

SUMMARY ANALYSIS

Generally, manufacturers provide a warranty for a Heating, Ventilation, and Air Conditioning (HVAC) system for 5 to 10 years. The manufacturer warranty covers parts that might fail such as the air compressor or furnace heat exchanger. The manufacturer will replace or repair any parts at no cost if the parts are covered under the warranty. If a residential real property is sold to another person, the warranty time may be cut short or may not be transferable to the new owner. In Florida, most manufacturer warranties are tied to a person instead of the property. The HVAC manufacturer warranty is tied to the original owner and does not transfer when the property is sold unless the previous owner transfers it to a new owner if that is an option under the warranty.

The bill:

- Provides that regardless of ownership, an HVAC manufacturer's warranty runs with the property.
- Provides that an HVAC warrantor continues to be obligated under the terms of the warranty regardless of the property owner and may not charge a transfer fee.
- Provides that the transfer of an HVAC manufacturer warranty does not make the existing warranty term longer.
- Provides that such warranties are deemed registered if a licensed contractor meets certain requirements.
- Provides that a licensed contractor who installs a new HVAC system must document the installation through an invoice or receipt to the customer.

The bill does not appear to have a fiscal impact on local or state governments.

The bill provides an effective date of July 1, 2023.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Warranty Background

A warranty is an assurance that a manufacturer or seller makes about the condition of its product.¹ A warranty means that a manufacturer or seller will replace or repair the product under certain instances. A warranty can be either express or implied.²

An express warranty is a verbal or written assurance for the product.³ On the other hand, an implied warranty is an unstated assurance that the product is made for its intended purpose.⁴ An implied warranty is in addition to an express warranty. However, an implied warranty may be negated or limited by an express warranty. There is no implied warranty if a seller states that the product is “as is”, “with all faults”, or similar language.⁵

Manufacturer Warranties

A manufacturer warranty attaches to the purchase of the product by the manufacturer. A manufacturer warranty is considered a limited warranty because the warranty is only valid for a certain time period after the purchase. These terms and conditions are created by the manufacturer. Once the period of coverage is over, someone can purchase an extended warranty under different coverage terms to extend the protection of the product beyond the terms and conditions laid out in the manufacturer warranty.⁶

Magnuson-Moss Warranty Act

The Magnuson-Moss Warranty Act (MMWA)⁷ is a federal law that governs consumer product warranties. Passed in 1975, the Act requires manufacturers and sellers of consumer products to provide consumers with detailed information about warranty coverage before and after the sale of the warranted product.⁸

The MMWA defines three kinds of consumers:

- a buyer of any consumer product;
- any person to whom such product is transferred during the duration of an implied or express warranty applicable to the product;
- any other person who is entitled by the terms of such warranty or under applicable State law to enforce the obligations of the warranty.⁹

Manufacturer Warranties for HVAC Systems- Current Situation

¹ Will Kenton, *Warranty Definition, Types, Example, and How It Works*, Investopedia, Nov. 24, 2022, <https://www.investopedia.com/terms/w/warranty.asp> (last visited March 11, 2023).

² 45 Fla. Jur 2d Sales and Exchanges of Goods § 156.

³ “An express warranty is created by an affirmation of fact or promise made by the seller to the buyer that relates to the goods, by any description of the goods that is made part of the basis of the bargain, or by any sample or model that is made part of the basis of the bargain.” S. 672.313, F.S.

⁴ S. 672.314, F.S.

⁵ S. 672.316, F.S.

⁶ Tom Scott, *Extended Warranties vs. Manufacturer Warranties: What's the Difference?*, Fortegra, July 9, 2019, <https://blog.fortegra.com/extended-warranties-vs.-manufacturer-warranties-whats-the-difference> (last visited March 11, 2023).

⁷ 15 U.S.C. §§ 2301-2312 (1975).

⁸ MMWA does not apply if a seller or manufacturer does not provide a warranty on their product. Jason Gordon, *Magnuson Moss Warranty Act – Explained*, The Business Professor, Sept. 26, 2021, https://thebusinessprofessor.com/en_US/consumer-law/magnuson-moss-warranty-act (last visited March 12, 2023).

⁹ *O'Connor v. BMW of N. Am., LLC*, 905 So. 2d 235, 236–37 (Fla. 2d DCA 2005); see also, § 2310(d) of MMWA provides that, “a consumer who is damaged by the failure of a supplier, warrantor, or service contractor to comply with any obligation under this title, or under a written warranty, implied warranty, or service contract, may bring suit for damages...”

Florida

Most manufacturers require that an HVAC contractor purchase and install the HVAC system before the consumer can register the HVAC system for the limited manufacturer warranty. Generally, manufacturers provide a warranty for the HVAC system for 5 to 10 years. The warranty covers parts that might fail such as the air compressor or furnace heat exchanger. The manufacturer will replace or repair any parts at no cost if the parts are covered under the warranty.¹⁰ The following are examples of leading HVAC manufacturers and their warranty terms:

- Goodman air conditioner warranty: 10-year unit replacement limited warranty, lifetime compressor limited warranty on select models.
- Carrier air conditioner warranty: 10-year parts limited warranty on Infinity, Performance, and Comfort series models with Puron refrigerant.
- Lennox air conditioner warranty: 10-year limited parts and compressor warranty for Dave Lennox Signature® Collection Series models; 5-year limited parts warranty, 10-year compressor
- Trane air conditioner warranty: 1 to 20-year base limited warranty that covers compressor, outdoor coil, and internal functioning components.
- Bryant air conditioner warranty: 10-year standard parts limited warranty if registered within 90 days of purchase; 5-year standard parts limited warranty if not registered.
- Amana air conditioner warranty: Lifetime limited warranty for compressor, lifetime unit replacement warranty, 10-year parts limited warranty, varies by model.

If a building or house that contains an HVAC system with a manufacturer warranty is sold to another person, the warranty time may be cut short or may not transfer to the new owner. The assignment of the HVAC warranty to the new owner is contingent upon the terms and conditions for the warranty.¹¹ In Florida, most manufacturer warranties are tied to a person instead of the property. Usually, the manufacturer warranty is tied to the original owner and does not transfer when the property is sold unless the previous owner transfers it to the new owner if that is an option in the warranty. Below are some typical transfer policies:¹²

Manufacturer	Transfer Policy
Carrier	<ul style="list-style-type: none">• Must register within 90 days of the property sale.• HVAC must stay in same location.• Subsequent owner will have access to limited warranty with 5-year parts and compressor coverage.
Maytag	<ul style="list-style-type: none">• Can transfer a warranty from the original owner to subsequent owner.• Subsequent owner can access an “unregistered warranty” for 5-year parts and compressor coverage and 20-year heat exchanger coverage.• Subsequent owners cannot access the entire coverage period that the original owner had for the registered warranty.
Trane	<ul style="list-style-type: none">• Warranty stays with the HVAC unit regardless of original or subsequent ownership.• Subsequent owner gets access to the remaining warranty coverage period of the original owner’s limited warranty with the manufacturer, but the subsequent owner must register the unit with Trane and pay a transfer fee.

Other States

States differ in their approach on the transferability of warranties to a subsequent owner. In Louisiana and Texas, warranties automatically transfer the remaining coverage of the original owner, without any cost, to the subsequent owner of the property.¹³ In Alaska, if the lessor has a warranty on personal property and

¹⁰ Bryan Carnahan, *HVAC Warranties and You: What Are They, and Why Should You Register Your Product?*, Fire & Ice Heating and Air Conditioning, Inc., July 1, 2022, <https://indoortemp.com/resources/hvac-warranties-and-product-registration> (last visited March 12, 2023).

¹¹ Ralph Desmornes, *Does My Air Conditioner Have a Warranty?*, HVAC, July 26, 2022, <https://www.hvac.com/air-conditioners/does-my-air-conditioner-have-a-warranty/> (last visited March 12, 2023).

¹² BryAna Arvie, *Will HVAC Warranties Automatically Transfer over to New Homeowners?*, Angi, Aug. 10, 2021, <https://www.angi.com/articles/do-hvac-warranties-transfer-homeowners.htm> (visited March 12, 2023).

¹³ La. Stat. § 9:3148; TX BUS & COM § 608.002(a)-(b) which states the following:

the terms of the warranty permit transfer, the lessor may transfer the warranty to the new person who acquired ownership.¹⁴ Generally, states allow the terms and conditions of the warranty to control whether the remaining coverage is transferable to a subsequent owner.

Manufacturer Warranties for HVAC Systems- Effect of the Bill

The bill makes the manufacturer warranty for an HVAC system run with the property instead of the person.

The bill provides that:

- a manufacturer's warranty for an HVAC system is attached to the residential property, not the original owner;
- once a new owner purchases a residential property, the remaining manufacturer warranty coverage for an HVAC system is instantly transferred to the new owner;
- a manufacturer continues to be obligated under the terms of a manufacturer's warranty agreement for a warranty that is transferred and may not charge a fee for the transfer of the warranty;
- the transfer of a manufacturer warranty not make the existing warranty term longer;
- a manufacturer's warranty of an HVAC system is deemed registered with the manufacturer if a contractor licensed under part I of chapter 489:
 - installs the new HVAC system; and
 - provides the manufacturer of the HVAC system with the date of the issuance of the certificate of occupancy¹⁵ for installations relating to new construction, or the serial number of the HVAC system for installations relating to existing construction, as applicable.
- the contractor licensed under part I of chapter 489 who installs a new HVAC system must document the installation through an invoice or receipt to the customer.

Overall, the bill allows a homeowner to be discharged from the responsibility of registering a new HVAC system for a manufacturer warranty and the responsibility of transferring the remaining warranty coverage for the HVAC system to a new owner.

B. SECTION DIRECTORY:

Section 1: Creating s. 559.956, F.S.; requiring manufacturer warranties for heating, ventilation, and air - conditioning systems to run with the property; providing that the manufacturer continues to be obligated under the terms of a manufacturer warranty agreement regardless of the owner and may not charge a transfer fee; providing that the transfer of a warranty not extend the warranty; providing such warranties are deemed registered if a contractor licensed under part I of chapter 489 meets certain requirements; requiring certain documentation.

Section 2: Providing an effective date of July 1, 2023.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None.

(a) If residential real property that includes an air conditioning system as a fixture to the property is conveyed to a new owner, a manufacturer's warranty in effect on that system or a component of that system on the date of the conveyance:

(1) is automatically transferred to the new owner; and

(2) continues in effect as if the new owner was the original purchaser of the system or component, as applicable.

(b) A warrantor continues to be obligated under the terms of a manufacturer's warranty agreement for a warranty transferred under this section and may not charge a fee for the transfer of the warranty.

¹⁴ Alaska Stat. Ann. § 45.35.020.

¹⁵ Under the Florida Building Code, a building or structure is not allowed to be used, occupied, or to be changed from its existing use or occupancy until a building official has issued certificate of occupancy. After a building official conducts an inspection of a building or a structure and finds no violations with applicable law, a building official issues a certificate of occupancy. Ss. 111.1 and 111.2 of the Florida Building Code, Seventh edition.

2. Expenditures:
None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:
None.
2. Expenditures:
None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

There would be a positive economic impact for property owners and subsequent property owners as they will enjoy the remaining manufacturer warranty coverage for their HVAC system without having to file additional paperwork. This means that if they have a faulty HVAC part that is covered under the warranty, then there will be no cost to repair that part.

There will likely be a positive economic impact on HVAC contractor industry professionals because consumers will be more likely to hire them to repair their HVAC system when the costs of the parts would be covered under the warranty and the consumers would only pay for cost of the labor.

It is unclear whether manufacturers will increase product costs based on any increase in payouts on warranties.

D. FISCAL COMMENTS:

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:
Not applicable. This bill does not appear to affect county or municipal governments.
2. Other:
None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On March 16, 2023, the Regulatory Reform & Economic Development Subcommittee adopted one amendment and reported the bill favorably as a committee substitute. The committee substitute:

- Clarifies that a manufacturer's warranty for an HVAC system is attached to the property and not to the original purchaser.
- Clarifies that this bill only applies to residential real properties.
- Provides that the warrantor continues to be obligated under the terms of a manufacturer's warranty and cannot charge the new owner a transfer fee.

- Provides that the transfer of the warranty to the new owner does not make the existing warranty term longer.
- Provides that such warranties are deemed registered if a contractor meets certain requirements.
- Provides that a contractor must document the HVAC system installation and provide the invoice or receipt to the customer.
- Makes technical and conforming changes.

This analysis is drafted to the committee substitute as passed by the Regulatory Reform & Economic Development Subcommittee.