

Used Vehicle Dealers Pay Sales Tax to DMV

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New Information

Effective January 1, 2021, vehicle dealers licensed to sell used vehicles are required to remit to the Department of Motor Vehicles (DMV) any sales tax due on the sale of a vehicle at the time the dealer submits the vehicle transfer/registration application to DMV. A dealer licensed to sell new motor vehicles and the sale of a vehicle **not** registered for highway use, including off-highway vehicles and vessels, is exempt from the requirement.

Based on proposed regulations, DMV will implement the new sales tax payment method requirement in phases. On January 1, 2021, the requirement will be imposed on used vehicle dealers who:

- Were licensed by DMV in the last 2 years.
- Had a finding of underreporting by the California Department of Tax and Fee Administration (CDTFA) in the last 2 years.
- Reinstated their seller's permit in the last 2 years.
- Are **not** in the Business Partner Automation Program.

NOTE: By January 1, 2023, all used vehicle dealers licensed to sell used vehicles will be subject to the new requirement.

Affected dealers **must** do the following when submitting used vehicle transfer/registration applications to DMV:

- Report and remit sales tax on retail sales of used vehicles directly to DMV.
- Provide DMV with their full and correct CDTFA seller's permit number.
- Provide the correct dealer's location address and purchaser's address to DMV for proper local tax allocation.

Used vehicle dealers will be responsible for determining the correct sales tax rate, calculating and collecting the appropriate sales tax amount, and remittance of sales tax to DMV and reporting of sales tax due to CDTFA.

NOTE: The applicable tax rates for each district in California are available through the CDTFA website at www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm. Users will be directed to a webpage that includes a look-up tool, Find a Sales and Use Tax Rate by Address, which allows them to find the tax rate based on an address.

Procedures

Continue to follow existing procedures in Vehicle Industry Registration Procedures Manual, Chapters 8 and 11 for dealer sale transactions. The following new fee codes have been created for identified dealer sale transactions subject to the new requirements:

- Fee Code 380, AB 85 TAX
- Fee Code 381, AB 85 TAX PEN

NOTE: Programming has been added to identify dealers and dealer sale transactions that are subject to payment of sales tax to DMV, based on the dealer number.

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Page 2 of 2

Background

New legislation effective January 1, 2021, requires a vehicle dealer licensed to sell used vehicles to remit applicable sales tax for vehicle sales directly to DMV at the time the dealer submits the vehicle transfer/registration application to DMV. The legislation requires DMV to transmit to CDTFA all sales tax collected under the new legislation.

References

Assembly Bill 85 (Chapter 8, Statutes of 2020)

Vehicle Industry Registration Procedures Manual, Chapters 8 and 11

Distribution

Notification that this memo is available at **dmv.ca.gov** under Vehicle Industry Services, was made via the California DMV Automated Email Alert System in December 2020 to the following:

- Dealers
- Registration Services

Contact

Call the DMV Customer Communications Section at (916) 657-6560 for further clarification of this memo.