

**Used Vehicle Dealers Pay Sales Tax to DMV Phase 2**

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**Issue Date: January 3, 2023**

**New Information**

New legislation authorizes used vehicle dealers that are **not** currently paying sales tax to DMV and had more than 300 retail vehicle sales in the prior calendar year, to delay changing their tax payment method until January 1, 2026.

Senate Bill (SB) 1496 (Chapter 474, Statutes of 2022) creates a delayed operative date for a segment of the used dealer industry that was **not** included in the original implementation of Assembly Bill (AB) 85.

**NOTE:** AB 85 required certain used vehicle dealers to pay sales tax when a vehicle registration or transfer application was submitted to DMV beginning January 1, 2021. Prior to SB 1496, the remaining used vehicle dealers were required to pay sales tax to DMV beginning January 1, 2023.

Dealers that will be required to pay sales tax to DMV beginning January 1, 2023, will be notified by mail.

Used vehicle dealers are responsible for determining the correct sales tax rate, calculating and collecting the appropriate sales tax amount, remitting sales tax to DMV, and reporting sales tax collections to the California Department of Tax and Fee Administration (CDTFA).

In addition, the following Report of Sale forms are being revised to add a data field to collect the seller’s permit number:

- Report of Sale Used Vehicle (REG 51)
- Wholesale Report of Sale (REG 396)
- Application for Registration of New Vehicle (REG 397)
- Application for Registration of Multiple New Vehicles (REG 397A)
- Vehicle Auction Wholesale Report of Sale (REG 398)

**Implementation Schedule**

<i>Phase</i>	<i>Effective Date</i>	<i>Dealers Impacted</i>
Phase 1	January 1, 2021	<ul style="list-style-type: none"> <li>• Were licensed by DMV in the last 2 years.</li> <li>• Had a finding of underreporting in the last 2 years.</li> <li>• Reinstated their seller’s permit in the last 2 years.</li> </ul>
Phase 2	January 1, 2023	Used motor vehicle dealers not previously phased in, with 300 or fewer retail vehicle sales in the previous calendar year.
Phase 3	January 1, 2026	<ul style="list-style-type: none"> <li>• Used vehicle dealers not previously phased in.</li> <li>• Used motor vehicle dealers that had more than 300 retail vehicle sales in the previous calendar year.</li> </ul>

**Procedures**

Continue to follow keying procedures in VIN 2020-16 Used Vehicle Dealers Pay Sales Tax to DMV.

# VIN 2023–01

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### Background

Effective January 1, 2021, legislation 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. DMV is required to transmit all sales tax collected under the new legislation to CDTFA. In addition, the legislation authorized implementation of the sales tax payment requirements in phases.

### References

*Revenue and Taxation Code* §6295  
Assembly Bill 85 (Chapter 8, Statutes of 2020)  
Senate Bill 1496 (Chapter 474, Statutes of 2022)  
*Vehicle Registration Manual*, Chapters 5 and 17  
OLIN 2020–11 Used Car Dealer Sales Tax Payment  
VIN 2021–06 Revised FO 247  
VIN 2020–16 Used Vehicle Dealers Pay Sales Tax to DMV

### Distribution

Notification that this memo is available at [dmv.ca.gov](https://dmv.ca.gov) under Vehicle Industry Services, was made via the California DMV Automated Email Alert System in January 2023 to the following:

- Dealers
- Registration Services

### Contact

Questions about SB 1496 or AB 85 tax laws and how they impact DMV transactions should be directed to [dmvtaxinq@dmv.ca.gov](mailto:dmvtaxinq@dmv.ca.gov).