PROJECT OBJECTIVE:
To compare reported purchase prices in use-tax transactions with wholesale Kelley Blue Book prices, in order to determine whether purchasers of used vehicles from private parties tended to underreport the amount they paid.

SUMMARY:
A survey of reported purchase-price reports in use-tax transactions involving 1975-1980 model vehicles was performed in 10 offices over a 3-week period. Reported purchase price was compared to the wholesale Kelley Blue Book price for each of 318 transactions, and was found to average $739.31 or 23% less than the "low Blue Book" price. This difference was highly significant statistically. The annual revenue loss involved was estimated at about $34 million, compared to the amount which would be collected were low Blue Book value used as a tax base.

IMPLEMENTATION STATUS OF FINDINGS AND RECOMMENDATIONS:
It was recommended that use tax be based on the vehicle depreciation schedule; other possible alternatives were proposed as well, but none were implemented.

SUPPLEMENTARY INFORMATION:
The study was sent to the Board of Equalization for its consideration.