

Occupational Licensing Industry News

OLIN 2020-11

Used Car Dealer Sales Tax Payment

DIGITAL INFORMATION BRANCH • CUSTOMER SERVICES DIVISION • © 2020 STATE OF CALIFORNIA, DEPARTMENT OF MOTOR VEHICLES. ALL RIGHTS RESERVED.

Issue Date: November 30, 2020

New Information

Effective January 1, 2021, Assembly Bills (AB) 82 and 85, require motor vehicle dealers licensed exclusively to sell used vehicles to make changes in the way sales tax is paid. The new law requires dealers selling used vehicles registered for highway use only to pay any sales tax due to the Department of Motor Vehicles (DMV) at the same time they submit the vehicle registration/transfer application. Other changes required by this new law include monthly filing of tax returns to the California Department of Tax and Fee Administration (CDTFA), rather than quarterly.

Pursuant to proposed regulations under consideration by the California Office of Administrative Law, AB 82 and 85, are being implemented by DMV in multiple phases. Phase one, beginning January 1, 2021, includes all used vehicle dealers who:

- Were licensed by DMV in the last 2 years
- Had a finding of underreporting in the last 2 years
- Reinstated their seller's permit in the last 2 years
- Are not in the Business Partner Automation (BPA) program.

By January 1, 2023, all used vehicle dealers will be required to pay sales tax to DMV.

DMV's implementation of this program is contingent upon adoption of regulations. Beginning January 1, 2021, all used vehicle dealers will be required to file their monthly sales tax return to CDTFA.

NOTE: Used vehicle sales exempted from this requirement include any vehicle **not** required to be registered for highway use including off-highway vehicles and boats.

Procedures

Beginning January 1, 2021, impacted dealers who hold a dealer's license must meet the following general requirements when submitting used vehicle registration/transfer applications to DMV:

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

IMPORTANT: Dealers may find applicable tax rates for each district in California by accessing CDTFA's webpage at www.cdtfa.ca.gov/taxes-and-fees/sales-use-tax-rates.htm. This webpage includes a look-up tool, "Find a Sales and Use Tax Rate by Address," located under the Current Tax Rates section, allowing dealers to find a tax rate based on an address.

OLIN 2020–11

Page 2 of 2

Background

When a vehicle is required to be registered in California and sold at retail by any dealer holding a required dealer license, the used motor vehicle dealer shall pay the applicable sales tax to DMV acting for and on behalf of CDTFA pursuant to law.

References

California Vehicle Code §4456
Revenue and Taxation Code §6295

Distribution

Notification that this memo is available at **dmv.ca.gov** was made via California DMV's Automated Email Alert System in November 2020.

Contact

Refer questions or concerns to DMV Occupational Licensing Unit at: (916) 229-3126.