

Insurance Company Use Tax Exemption

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Issue Date: July 07, 2020

New Information

Vehicles acquired or purchased by insurance companies are exempt from use tax. The California Department of Tax and Fee Administration (CDTFA) Sales and Use Tax Regulation §1567 states that use tax does not apply to the storage, use, or other consumption in this state by insurance companies of tangible personal property.

This includes the following:

- Vehicles/vessels acquired by an insurance company after settling with a registered owner on a total loss of a vehicle/vessel and transferred the vehicle/vessel into the company name.
- Unrecovered stolen vehicles/vessels transferred to the insurance company that was previously registered to the insurer.
- Vehicles purchased by, and registered to, an insurance company for business use.

NOTE: The above transactions do not require the Certificate of Vehicle, Mobilehome, or Commercial Coach Use Tax Clearance (CDTFA-111) or Vehicle/Vessel Use Tax Clearance (CDTFA-111-B) form to complete the transfer process.

Background

California's sales tax generally applies to the sale of merchandise, including vehicles, in the state. The state's use tax applies to the use, storage, or other consumption of those same kinds of items in California. Use tax generally applies when you buy merchandise that will be used, stored, consumed, or given away in this state, under certain circumstances

Reference

Cal. Code Regs, Title 18, Ch. 4, Art. 6, §1567

Distribution

Notification that this memo is available online at dmv.ca.gov under Vehicle Industry Services was made via the California DMV Automated Email Alert System in July 2020.

Contact

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