



SPECIAL NOTICE

CALIFORNIA DEPARTMENT
OF TAX AND FEE
ADMINISTRATION
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CDTFA WEBSITE
www.cdtfa.ca.gov

CUSTOMER SERVICE CENTER
1-800-400-7115

CRS
711

Certain Used Motor Vehicle Dealers Required to Pay Tax to the Department of Motor Vehicles Beginning January 1, 2023

On January 1, 2023, certain used motor vehicle dealers (dealers) will be required to pay sales tax, including district taxes, on their retail sales of used motor vehicles, directly to the Department of Motor Vehicles (DMV) when they submit a vehicle registration application. Please refer to the information below to see if this impacts your business. We have also included some helpful tips, reminders, and resources to help you prepare your sales and use tax returns.

New payment requirements

Dealers that currently pay tax to CDTFA and who made fewer than 300 retail vehicle sales in calendar year 2021 will be required to pay tax to DMV beginning January 1, 2023. Dealers that meet this requirement will receive a separate notice advising them of their tax payment requirement. Additional dealers will be required to pay tax to DMV in subsequent years according to the recent enactment of Senate Bill 1496 (Stats. 2022, ch. 474)¹.

Tips and reminders

If you are currently paying tax to DMV, or if your payment method is scheduled to change on January 1, 2023, please review the following tips and reminders to assist you in reporting and making payments.

Sales and use tax reporting

- You must continue to file your sales and use tax return on time with CDTFA and include all of your retail sales of used motor vehicles, including those sales for which the tax was paid to DMV. You must also include your sales of other items such as batteries, tires, and service center sales on your sales and use tax return.
- Tax is due on an accrual basis, which means you must report your sales in the period the sales occur. For example, if you make a sale in February, receive payment from your customer in March, and register the vehicle and pay the tax to DMV in March, you must report the sale on your **February** sales and use tax return. The sales date is the Report of Sale (ROS) date for the vehicle sold.
- Your payment submitted to DMV will be applied to your sales and use tax account based on the ROS date. It is essential that you report your sales to CDTFA in the period when the sale occurs, regardless of whether you receive payment from your customer at a later time. You may receive billings from CDTFA, which you will need to resolve, if sales are not reported to CDTFA in the correct reporting period.
- You are required to provide the price of the vehicle sold on CDTFA-531-MV, *Used Vehicle Dealer – Sales Report*², in addition to the ROS number, Vehicle Identification Number (VIN), and sales tax and/or penalty amounts paid to the DMV.

¹ www.leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB1496

² www.cdtfa.ca.gov/formspubs/cdtfa531mv.pdf

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- Certain charges are considered taxable when made in connection with the sale of a vehicle. Since DMV only collects the tax based on the vehicle sales price, you must report other taxable charges, where the tax is not paid to DMV, such as document fees, smog certification fees, mandatory warranties, among others, on your sales and use tax return on line 1, *Total Sales*, to pay the tax due on these charges. For example, if the vehicle selling price is \$10,000, and your other taxable charges related to the sale of the vehicle are \$500, DMV will collect tax based on the \$10,000 vehicle selling price. You must report \$10,500, which includes both the selling price of the vehicle and other taxable charges, on line 1 of your sales and use tax return.

DMV payments

- You must complete and submit an ROS, as required by California Vehicle Code section 4456³.
- You must provide DMV your seller's permit number along with your tax payment to ensure we are able to apply your payment to your sales and use tax account.
Please note: If you use a service provider to electronically report vehicle sales, contact your provider to ensure your seller's permit number is accurately recorded on each ROS.
- You may contact DMV by email at DMVTAXINQ@dmv.ca.gov for confirmation of your payments.

Please note: Invalid or missing information can delay the posting of your payments and may result in CDTFA issuing you a bill.

Interest relief

Interest relief is now available for dealers in situations where there was an error or delay in the collection of tax caused by another state agency, including DMV. You can find more information on how to request relief in our *Relief Request – Frequently Asked Questions (FAQs)* at www.cdtfa.ca.gov/taxes-and-fees/relief-request-faq.htm.

Online webinars

We will host sales and use tax return preparation webinars for used motor vehicle dealers. We currently have webinars scheduled for Monday, December 5, 2022, at 10:30 a.m., and Tuesday, January 24, 2023, at 10:00 a.m. (Pacific time). If you are interested in attending a seminar, please visit our *Tax Education Events* website at www.cdtfa.ca.gov/seminar/. From this webpage, click *Used Car Dealers Tax Return Preparation Webinar*, and select *Register Online* to sign up.

Video tutorial

A video tutorial is available to help you complete your sales and use tax return, and schedule, CDTFA-531-MV. You will find it on our *Online Services* webpage at www.cdtfa.ca.gov/services/#Tutorials.

From the webpage, select the *Returns* heading, select the *Sales and Use Tax* subheading, and then select *How to File Schedule MV*.

³ www.leginfo.ca.gov/faces/codes_displaySection.xhtml?lawCode=VEH§ionNum=4456

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For more information

You can find more information in our *Tax Guide for Motor Vehicle Dealers* at www.cdtfa.ca.gov/industry/used-vehicle-dealers.htm and in our *New Legislation Affecting Dealers - FAQs* at www.cdtfa.ca.gov/industry/faqs-for-used-vehicle-dealers.htm.

Additional assistance

You may also call our Customer Service Center at 1-800-400-7115 (CRS:711). Customer service representatives are available Monday through Friday from 7:30 a.m. to 5:00 p.m. (Pacific time), except state holidays.

Visit our website at www.cdtfa.ca.gov/subscribe/ to subscribe to our email lists and receive the latest news including newsletters, tax and fee updates, and other announcements.