

HOUSE RESEARCH

Bill Summary

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Subject: Motor Vehicle Sales Tax

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Overview

This bill allows motor vehicle dealers to:

- ▶ Obtain certificates of title for vehicles purchased for resale
- ▶ Pay motor vehicle sales tax on certain vehicles on a reasonable rental basis, rather than the purchase price

It also exempts certain dealer loans of vehicles to service and maintenance customers from the sales tax.

Section

- 1 Registration tax.** Authorizes, but does not require, the motor vehicle registrar to issue certificates of title for vehicles that are exempt from the certificate for title requirements. Present law prohibits the registrar from issuing certificates of title for these exempt vehicles.
- 2 Motor vehicle sales tax; dealer option.** Authorizes a licensed motor vehicle dealer to pay the motor vehicle sales tax based on the reasonable rental value of the vehicle. This option applies only to a vehicle that meets two criteria. The dealer must
 - ▶ Purchase vehicle for resale; and
 - ▶ Not use it for demonstration purposes.

This option would allow the dealer to pay the sales tax on the rental value (e.g., for a short period of time) while it owns the vehicle, rather than on the full purchase price.

- 3 Loaner vehicles.** Exempts loans of vehicles by a dealer to a customer whose own vehicle is being serviced or maintained, if:

- ▶ The dealer receives no consideration for the loan (Note: This appears intended to refer to a separately stated price for the loan, as opposed to being included or bundled as part of the cost of the service or repair.) OR
- ▶ The dealer receives consideration for the loan under a warranty contract that was included in the original purchase price (e.g., a manufacturer warranty, but not an extended warranty that the customer purchased separately).