

Date of Hearing: April 4, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 2321 (Rodriguez) – As Amended March 28, 2016

SUBJECT: Vehicles and vessels: transfers of title or interest: use tax

SUMMARY: Requires the Department of Motor Vehicles (DMV) to code transactions in the collection of the Bradley-Burns Uniform Sales and Use Tax to specific address data when vehicles or vessels are registered to ensure the remittance of that tax revenue to the specific city or county in which the person resides. Specifically, **this bill:**

- 1) Requires DMV to determine all local use taxes that a person registering a vehicle or vessel, purchased through a private-to-private sale, is responsible to pay based upon address data provided of where the vehicle or vessel would be registered.
- 2) Requires DMV to use this address data to determine the correct tax area code for the applicable local jurisdiction (city or unincorporated county) that the local use tax revenue would be allocated.
- 3) Requires DMV to remit this data to the Board of Equalization (BOE) for direct allocation to the local jurisdictions.
- 4) Declares the intent of the Legislature that DMV and BOE administer this in a manner that ensures the applicable Bradley-Burns Uniform local use taxes and transactions and use taxes are collected and allocated directly to the specific jurisdiction where the vehicle is registered based on the tax area code.
- 5) Requires the BOE to allocate the tax revenue collected to the jurisdiction where the purchaser registered the vehicle or vessel.
- 6) Requires BOE to reimburse the DMV for costs associated with this transaction.

EXISTING LAW:

- 1) Authorizes the imposition of various local sales and use taxes.
- 2) Requires DMV to collect sales and use taxes at the time of the registration of a vehicle, off-highway vehicle, mobile home, or vessel in a private-to private party sale.
- 3) Requires DMV to remit the collected tax revenue to BOE for distribution to the local jurisdictions.
- 4) Requires BOE to reimburse DMV for its costs incurred in carrying out these provisions.

FISCAL EFFECT: Unknown

COMMENTS: This analysis only speaks to the process in which DMV administers the collection of local use taxes and what changes would need to be made to implement these new

requirements. The tax policies included in this bill will be considered by the Revenue and Taxation Committee, where this bill will be referred, should it pass out of this committee.

Currently, DMV collects local sales and use taxes, including the Bradley Burns taxes upon registration of a vehicle or vessel purchased through a private-to-private party sale. At the point of collection, DMV codes the local transaction and use taxes, such as a local add-on tax like a countywide tax dedicated to transportation, to the specific city or county jurisdiction in which the applicant registering the vehicle or vessel resides. However, the Bradley-Burns portion of the taxes collected from the applicant is coded only to the county in which the vehicle is being registered. All tax revenue collected is remitted to BOE for distribution to appropriate local jurisdictions. The Bradley-Burns portion is remitted to the county of jurisdiction for distribution through a countywide pool.

According to the author, AB 2321 seeks to improve BOE's allocation of the local Bradley-Burns portion of use taxes collected by DMV utilizing DMV's existing infrastructure that is currently used to process private-to-private vehicle and vessel registrations. This can be accomplished by using the specific local tax area codes to identify the location of the registrant, as used in the collection of the local transaction and use taxes, rather than the countywide tax area codes currently used for Bradley-Burns. He contends that improving the process will result in more accurate allocations and may stand to benefit smaller and disadvantaged cities and unincorporated county areas.

As mentioned, DMV currently utilizes a system that allows for the coding of collections to a specific tax area code for the purposes of the local transaction and use taxes which represent approximately 100 jurisdictions. This bill would require DMV to code specific tax area codes to the Bradley-Burns portion of the tax revenue collected, which would entail the use of codes for 482 cities plus 58 counties.

This proposal may be able to be implemented administratively. It is unclear what process steps would need to take place with BOE and DMV to make the changes required in this bill, but the author should continue to work with the agencies. It is also unclear what the impacts of this bill would have on DMV's workforce, however, changes to DMV's computer systems typically require significant programming efforts. Costs associated with the new coding could be recovered through DMV's interagency agreement with BOE.

Double referral: This bill will be referred to the Assembly Revenue and Taxation Committee should it pass out of this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

League of California Cities (Sponsor)

Opposition

None on file

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