

Date of Hearing: June 27, 2022

ASSEMBLY COMMITTEE ON TRANSPORTATION

Laura Friedman, Chair

SB 1249 (Archuleta) – As Amended May 11, 2022

**SENATE VOTE:** 29-0

**SUBJECT:** Vehicle dealers: document processing charge

**SUMMARY:** Increases the document processing fee a dealer can charge when a buyer/lessee purchases a car from \$85 to \$175 starting on January 1, 2024 so long as the dealer has a contractual agreement with Department of Motor Vehicles (DMV) to be a private industry partner.

**EXISTING LAW:**

- 1) Authorizes a dealer that has a contractual agreement with DMV to be a private industry partner to set the document processing charge at up to \$85, and authorizes all other dealers to set the document processing charge at up to \$70.

**FISCAL EFFECT:** According to the Senate Appropriations Committee, pursuant to Senate Rule 28.8, negligible state costs.

**COMMENTS:**

This bill would provide for the largest single increase in document processing fees since California began to allow dealers to charge for them. Document processing fees were authorized to allow dealers to recoup the costs of processing documents associated with the purchase of a vehicle. Some of these documents are required by law and others enable dealers to make a profit such as helping the person find financing for the vehicle. Existing law allows for dealers to charge an \$85 fee. This bill increases that fee by \$90 to \$175.

The California New Car Dealers estimates that they will sell 1.4 million used cars and 1.9 million new cars in 2022. With a \$90 increase to the document fee, the dealers would bring in an estimated additional \$297.9 million in revenue annually. According to Haig Partners, an industry advisor to car dealerships, data from the first three months of 2022 show that dealers are grossing a \$6,244 in profits per new vehicle, a 180% increase from pre pandemic levels in 2019. On average, publicly-owned new-car dealerships averaged a profit of \$7.1 million in profit between June of 2021 and June of 2022.

The first significant document processing fee increase occurred in 1996 when the cap for the fee was increased from \$35 to \$45. In 2006, the Legislature passed SB 44 (Torlakson), Chapter 623, Statutes of 2006 which increased the fee from \$45 to \$55. AB 1215 (Blumenfield,) Chapter 329, Statutes of 2011 increased the fee from \$55 to \$80. At the time, the California New Car Dealers Association (CNCDA) argued that dealer costs to comply with government requirements already range from \$75 to \$180 per transaction, with the \$180 costs for complex transactions for foreign vehicles.

When the Legislature passed AB 1215, the National Consumer Law Center noted that “Doc fees provide pure profit for auto dealers at the expense of California residents buying cars. They should be included in the purchase price of the vehicle, as advertised, and as negotiated – rather than being tacked on at the end, after a deal has already been struck.”

The last time the California Legislature authorized an increase for the documentation fee was with the passage of AB 416 (Mullin) Chapter 90, statutes of 2016. At the time, the document fee was increased \$5 to reflect increased costs the Legislature placed on the car dealers to process paper license plates.

CNCDA asserts that \$85 is not sufficient to cover their costs and that the costs of providing document process related services is \$477. CNCDA has reached this conclusion based on a J.D. Power study that measured the time per transaction fee. If this study is correct, then CNCDA is asserting their costs to process documents has increased \$375 for less complex transactions and \$267 for complex transactions in the span of a decade. This cost increase far outpaces inflation, which would result in a \$104 increase for the \$80 price tag they provided to the Legislature in 2011 and \$188 for the \$145 complex transactions. It should be noted that originally AB 1215 (Blumenfeld) had an inflation adjustment. Had that been kept in the bill, the fee today would be \$75 less than what CNCDA is asking for in this bill.

According to the author, “California’s document processing charge cap needs to be modernized to reflect the actual cost of these services. Senate Bill 1249 would do this by, beginning in 2024, align California with New York by modernizing the non-governmental charge that auto dealerships may collect when selling or leasing a vehicle to ensure that dealerships and their employees can recover their costs and continue providing important services for consumers at the time of vehicle purchase.”

Unlike California, New York law requires dealers to make it clear that this fee is not a DMV fee and is optional for car purchasers to pay. The form is required to have the following statement attached to it with the fee that is the same font as the rest of the document: ‘Dealer’s optional fee for processing application for registration and/or certificate of title, and for securing special or distinctive plates (if applicable). THIS IS NOT A DMV FEE. \*\$ \_\_\_\_\_’.

The Consumer Federation of California the consumer Attorneys of California, Californians for Auto Reliability and Safety, Unite Here! And the California Teamsters Public Affairs Council, wring in opposition to this bill, argue “Those fees are nothing more than a windfall profit for car dealers, at the expense of California consumers. As the Senate Committee on Transportation’s recent analysis notes, “doc fees” are not disclosed on the sticker, during negotiations over the price, or in advertising, so there is no opportunity for competition or market pressures to rein them in. To consumers these certainly appear to be hidden fees sprung upon them toward the end of what is typically a lengthy, complex transaction, when they have already negotiated and agreed upon the price and other terms. In other contexts such fees have been found to be unfair and deceptive to consumers. Also, despite the fact they are not supposed to be presented as governmental fees, the reality is that they are usually pre-printed on the contract, and if consumers question them, they are usually told verbally that they cannot vary and are either required or approved by the government. Although not intended by the author, this substantial increase in doc fees would be essentially a regressive special-interest giveaway to car dealers, at the expense of car buyers who are already reeling from sticker shock and the unprecedented inflation in car prices.”

*Previous legislation:*

AB 516 (Mullin) Chapter 90, Statutes of 2016 authorized dealers, beginning January 1, 2019, to raise their document processing fees by \$5, from \$80 to \$85 for new cars and from \$65 to \$70 for used cars.

AB 605 (Gatto) Chapter 695, Statutes of 2015 limited the charges that can be included in the electronic filing fee paid by automobile purchasers.

AB 1215 (Blumenfield) Chapter 329, Statutes of 2011 increased the cap on the document processing charge for both purchases and leases to \$80 for those dealers that participate in electronic registration and \$65 for those dealers

**REGISTERED SUPPORT / OPPOSITION:****Support**

California New Car Dealers Association  
CMDA-California Motorcycle Dealers Association  
Enterprise Holdings

**Oppose**

California Teamsters Public Affairs Council  
Consumer Attorneys of California  
Consumer Federation of California  
Consumers for Auto Reliability & Safety  
Unite Here

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