



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

Date Amended:	06/22/06	Bill No:	AB 2303
Tax:	Sales and Use	Author:	Assembly Judiciary Committee
Related Bills:			

This analysis will only address the bill’s provisions that impact the Board.

BILL SUMMARY

Among other things, this bill would make several technical amendments to the Car Buyer’s Bill of Rights, one of which clarifies that the two-day contract cancellation option applies to sales of used vehicles with a purchase price of *under* \$40,000. The remainder of this bill would make numerous, non-controversial changes to the California Codes.

ANALYSIS

Current Law

Under current law, beginning July 1, 2006, a car dealer must offer a contract cancellation option on certain used vehicle sales. Assembly Bill 68 (Ch. 128, Stats. 2005, Montanez) enacted the Car Buyer’s Bill of Rights, which, among other things, added Section 11713.21 to the Vehicle Code to require a car dealer to offer a two-day contract cancellation option agreement on used vehicles with a purchase price of less than \$40,000, and allows the purchaser to return the used vehicle without cause, provided that specified conditions are met. The contract cancellation option applies only to used vehicles sold for personal, family, or household use. The option does not apply to the sale of motorcycles, off-highway vehicles, or recreational vehicles.

The maximum price a car dealer may charge for the contract cancellation option agreement is based on the cash price of the vehicle:

Cash price of vehicle¹	Maximum amount charged for contract cancellation option agreement
Up to and including \$5,000	\$75
\$5,000.01, up to and including \$10,000	\$150
\$10,000.01, up to and including \$30,000	\$250
\$30,000.01, but less than \$40,000	1% of the purchase price

¹ The cash price of a vehicle, as defined by Civil Code Section 2982(a)(1)(A), excludes document preparation fees, tax imposed on the sale, pollution control certification fees, prior credit or lease balance on property being traded in, and the amount charged for a service contract. Vehicle Code Section 11713.21 (a)(2)(D) adds that the cash price also excludes registration, transfer, titling, license, and California tire and option business partnership automation fees.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board’s formal position.

Subdivision (a)(2)(D) of Section 11713.21 provides that for a vehicle with a cash price of more than \$30,000, but not more than \$40,000, the maximum amount that a dealer can charge for the option is one percent of the purchase price of the vehicle. However, under subdivision (a)(1), the two-day contract cancellation option applies only to used vehicles with a purchase price of less than \$40,000. In order for subdivision (a)(2)(D) to be consistent with subdivision (a)(1), as well as other sections of the Car Buyer's Bill of Rights, Board staff requested a technical amendment to correct this inconsistency. The amendment to this bill would simply clarify that the charge of one percent of the purchase price for a contract cancellation option applies to a used vehicle sold for more than \$30,000, but less than \$40,000 (and not *exactly* \$40,000), which is consistent with the intent of the original bill.

Proposed Law

This bill would amend Section 11713.21 of the Vehicle Code to clarify that the maximum amount of one percent of the purchase price applies to a vehicle with a cash price of more than \$30,000, but less than \$40,000 (and not *exactly* \$40,000).

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the Assembly Judiciary Committee, and is their annual omnibus bill for implementing non-controversial technical corrections to the law.
2. The **June 22, 2006 amendments** are technical cleanup amendments to the Car Buyer's Bill of Rights, which were suggested by the Board staff. The amendments clarify that the contract cancellation option applies to a vehicle sold for less than \$40,000, which are consistent with the intent of the original bill (AB 68), as confirmed by the author, Assembly Member Montanez's, office.

COST ESTIMATE

This bill has no impact on the Board's costs.

REVENUE ESTIMATE

With respect to the provisions that related to the Board, this bill would have no impact on the state's revenues.

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