

For Immediate Release
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Board of Equalization Announces CARS Rebate Not Subject to Sales and Use Tax

The California State Board of Equalization (BOE) today announced that rebates under the new Car Allowance Rebate System (CARS) program are exempt from California sales and use tax. The CARS rebates, paid by the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA), are considered nontaxable sales to the U.S. government.

Also referred to as "Cash for Clunkers", the new buyer incentive CARS program is intended to encourage consumers who own an older, 'gas guzzler' car or truck to purchase or lease a new, more fuel-efficient vehicle. The CARS program runs from July 1, 2009 through November 1, 2009.

Under the CARS program, buyers stand to receive up to a \$4,500 toward the purchase or lease of a new car or truck that meets the necessary criteria. Ordinarily, all gross receipts measured by the sales price, including rebates, are subject to sales and use tax. However, the CARS rebate portion of the total price of a new vehicle paid by the NHTSA is a nontaxable sale to the federal government. The CARS law expressly provides that the credit is not income for the consumer. However, the credit will be considered as income for the dealer.

When a buyer trades in a qualifying vehicle, the new car dealer will credit the applicable amount against the cost of purchasing or leasing an eligible new vehicle and then the dealer will apply to NHTSA for reimbursement. The federal rules implementing the CARS program provide specific details regarding the process for registering dealers, how dealers will be reimbursed for eligible transactions, and the requirements for disposing of trade-in vehicles. NHTSA is working with manufacturers, dealers, and recycling centers to develop the program specifics. Dealers will need to register with the NHTSA to participate.

For information, visit www.boe.ca.gov, see the Special Notice: [Tax Exemption for Car Allowance Rebate System Issued by Federal Government](#), or call the Taxpayer Information Center at 800-400-7115.

For more information, visit the CARS Program website at www.cars.gov, see the CARS Q&A for consumers, or call the CARS Hotline at (866)-CAR-7891.

The five-member California State Board of Equalization is a publicly elected tax board. The BOE collects more than \$53 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

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