



DMV Needs to Stop Robbing Taxpayers

By George Runner

If you recently purchased a car from a private party, you may have paid too much tax to the California Department of Motor Vehicles.

I've been hearing complaints from constituents that DMV charged them a higher city tax rate when they don't actually live within city boundaries.

These constituents were forced to jump through hoops to prove they didn't owe the higher tax. As their elected representative, I was happy to assist them in obtaining refunds, but DMV should have never overcharged them in the first place.

What's worse is that these overcharges are not isolated incidents, but rather a systemic problem resulting from DMV's bizarre reliance on zip codes to determine tax rates.

Sales and use tax rates vary widely across California and change over time. In addition to the statewide sales and use tax rate of 7.5 percent, many cities and counties add voter-approved local taxes. The result is some cities have sales tax rates as high as 10 percent.

Unlike typical retail transactions, the tax rate for a vehicle sale is based on the address provided to the DMV by the registered owner, not where the sale took place. If you buy your car at a dealership, the burden is on the car dealer to collect the tax. But in the case of a private party sale, DMV collects the tax when the buyer registers the vehicle.

We're not talking pocket change here. Getting the tax rate wrong on a vehicle purchase could easily force a buyer to pay hundreds in unfair taxes. One might think DMV would take great care to calculate the correct rate. Not so.

DMV relies entirely on zip codes to determine tax. If even a small portion of a zip code's territory has a higher tax rate, DMV typically charges everyone in that zip code the higher tax.

DMV admits zip codes are not a reliable way to determine tax. Even so, savvy buyers must fill out a "city use tax waiver" to avoid paying the higher tax. According to DMV procedures, to avoid being overcharged a resident or business in an unincorporated area must submit a statement of facts, a letter on city letterhead or a certificate of use tax clearance. This is outrageous!

To make matters worse, DMV routinely broadcasts tax rates by zip code in its “Vehicle Industry News” publication, potentially leading others to charge too much tax as well.

There’s really no excuse for this sort of incompetence in the 21st century, especially in a land of technology like California.

There is already a system in place that DMV could be using. To help combat sales tax rate confusion, at my urging last year the Board of Equalization developed an extremely accurate tool for determining tax rates at specific locations. The Board’s [online tax rate lookup tool](#), enables anyone, even DMV, to find the correct sales tax rate for a specific address.

If that’s too complicated for the dinosaurs at DMV, they could always use good old-fashioned street maps to determine where city boundaries start and end.

Confusion over sales tax rates is not unique to the DMV. My office has worked with restaurants, clothing retailers and other businesses located in split tax rate zip codes to ensure they are charging the correct amount of tax. What is unique to the DMV is their reluctance to fix the problem, despite an obvious solution.

It’s outrageous that the State of California expects private citizens to do things right that government is doing wrong.

In a [recent letter](#) to DMV Director Jean Shiomoto, I urged her to stop overcharging taxpayers and start using our sales tax look-up tool. My letter follows repeated attempts by my staff and other Board staff over the past year urging DMV to adopt the new tool.

DMV staff indicate a desire to fix the problem, but warns a solution could be years away. That’s entirely unacceptable.

Taxpayers should be able to trust their government and know they won’t be robbed when they step foot in a DMV office.

George Runner represents more than nine million Californians as a taxpayer advocate and elected member of the State Board of Equalization. For more information, visit boe.ca.gov/Runner.