

AMENDED IN ASSEMBLY MARCH 23, 1998

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

ASSEMBLY BILL

No. 1946

Introduced by Assembly Member Papan

February 17, 1998

An act to amend Section 7205.1 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

AB 1946, as amended, Papan. Local sales and use taxes: leased vehicles: point of use.

The Bradley-Burns Uniform Local Sales and Use Tax Law ~~provides~~ *requires* that (1) if the lessor of a motor vehicle is a new motor vehicle dealer, as specifically defined by statute in the context of new and unregistered vehicles, the place of use for reporting and transmitting any use tax with respect to the leased vehicle is the city in which the lessor's place of business is located, (2) if the lessor of a motor vehicle is neither a dealer as so described or a dealer as defined by statute in the context of vehicles generally, but purchases the leased vehicle from a dealer within this latter definition, the place of use for reporting and transmitting any use tax with respect to the purchased vehicle is the city in which the selling dealer's place of business is located, and (3) if the lessor is not a motor vehicle dealer as defined by statute either in the specific or general context and purchases the leased vehicle from a source other than either of those types of dealer, any use tax is to be

reported to, and distributed through, the countywide pool of the county in which the lessee resides.

This bill would ~~modify the first of these provisions to instead apply its reporting and transmittal requirements in the context of a dealer as defined by statute, as provided, in the context of motor vehicles generally, and, for purposes of the first of these reporting and transmittal requirements, clarify the statutory definition of a new motor vehicle dealer, and would additionally apply this first requirement to a used motor vehicle dealer, as defined by statute in the context of vehicles generally, and a leasing company, as defined, with annual motor vehicle receipts of \$15,000,000 or more per location. This bill would modify the second of these provisions to apply its reporting and transmittal requirements to apply only in the case in which a lessor is not a dealer or leasing company as defined in this more general context described in the first reporting and transmittal requirement, as modified by this bill, but purchases the leased vehicle from a dealer or leasing company who is described by this more general classification that modified first requirement. This bill would modify eliminate the third of these provisions to apply its reporting and distribution requirements in the case in which the lessor is neither a dealer as defined by statute in the context of vehicles generally or a person purchasing a leased vehicle from a dealer as so generally defined transmittal requirement. This bill would specify, with respect to the remaining reporting and transmittal requirements, as modified by this bill, that the requirements applicable to a new motor vehicle dealer apply to lease transactions entered into on or after January 1, 1996, and that those requirements, applicable to a used motor vehicle dealer or a leasing company with motor vehicle receipts of \$15,000,000 or more per location, apply to lease transactions entered into on or after January 1, 1999. This bill would also define the term “motor vehicle,” for purposes of these modified provisions, to mean a passenger vehicle, other than a house car, or a light duty truck.~~

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.



The people of the State of California do enact as follows:

1 SECTION 1. Section 7205.1 of the Revenue and
2 Taxation Code is amended to read:

3 7205.1. (a) Notwithstanding any other provision of
4 law, in connection with any use tax imposed pursuant to
5 this part with respect to the lease (as described in Sections
6 371 and 372 of the Vehicle Code) of a new or used motor
7 vehicle (as defined in Section 415 of the Vehicle Code) by
8 *a dealer or leasing company*, the place of use for the
9 reporting and transmittal of the use tax shall be
10 determined as follows:

11 ~~(1) If the lessor is a California new or used motor~~
12 ~~vehicle dealer (as defined in Section 285 of the Vehicle~~
13 ~~Code, without regard to subdivision (i) of Section 286 of~~
14 ~~the Vehicle Code)~~

15 *(1) If the lessor is a used motor vehicle dealer (as*
16 *defined in Section 285 of the Vehicle Code), a California*
17 *new motor vehicle dealer (as defined in Section 426 of the*
18 *Vehicle Code, without regard to subdivision (i) of Section*
19 *286 of the Vehicle Code), or a leasing company with*
20 *annual motor vehicle receipts of fifteen million dollars*
21 *(\$15,000,000) or more per location, the place of use of the*
22 *leased vehicle shall be deemed to be the city in which the*
23 *lessor's place of business (as defined in Section 7205 and*
24 *the regulations promulgated thereunder) is located. If*

25 ~~(2) If a lessor, who is not a dealer described in the~~
26 ~~preceding sentence person described in paragraph (1),~~
27 ~~purchases the vehicle from a dealer person as so~~
28 ~~described, the place of use of the leased vehicle shall be~~
29 ~~deemed to be the city in which the place of business (as~~
30 ~~defined in Section 7205 and the regulations promulgated~~
31 ~~thereunder) of the dealer person from whom the lessor~~
32 ~~purchases the vehicle is located. The~~

33 *(3) The place of use as determined by this paragraph*
34 *subdivision shall be the place of use for the duration of the*
35 *lease contract, notwithstanding the fact that the lessor*
36 *may sell the vehicle and assign the lease contract to a*
37 *third party.*



1 ~~(2) If the lessor is not a dealer described in paragraph~~
 2 ~~(1), or a person who is described in paragraph (1) as~~
 3 ~~purchasing from a dealer, the use tax shall be reported to~~
 4 ~~and distributed through the countywide pool of the~~
 5 ~~county in which the lessee resides.~~

6 (b) Except as described in ~~paragraph (1) of~~
 7 subdivision (a), this section shall not apply if the dealer
 8 or leasing company entering into the lease agreement is
 9 located outside of California.

10 (c) (1) The provisions of this section *that are*
 11 *applicable to a California new motor vehicle dealer* shall
 12 apply to lease transactions entered into on or after
 13 January 1, 1996.

14 ~~(2) Commencing on January 1, 1998, the amendments~~
 15 ~~made by the act adding this paragraph shall apply to lease~~
 16 ~~transactions in accordance with paragraph (1).~~

17 (2) *The provisions of this section, applicable to a used*
 18 *motor vehicle dealer or leasing company with annual*
 19 *motor vehicle receipts of fifteen million dollars*
 20 *(\$15,000,000) or more per location, shall apply to lease*
 21 *transactions entered into on or after January 1, 1999.*

22 (d) As used in this section, the following definitions
 23 shall apply:

24 (1) "City" means a city, city and county, or county.

25 (2) "Motor vehicle" means a passenger vehicle (other
 26 than a house car) or a light duty truck.

27 (3) "Leasing company" *means a used motor vehicle*
 28 *dealer (as defined in Section 285 of the Vehicle Code),*
 29 *that complies with both of the following:*

30 (A) *The dealer originates lease contracts, described in*
 31 *subdivision (a), that are continuing sales and purchases.*

32 (B) *The dealer does not sell or assign those lease*
 33 *contracts that it originates in accordance with*
 34 *subparagraph (A).*

