

Federal Car Allowance Rebate System

New Information

The Car Allowance Rebate System (CARS) is a federal program offering consumers a \$3,500 or \$4,500 rebate on the purchase or lease of a new fuel-efficient vehicle, when they trade in their qualifying vehicle. The vehicle license fee (VLF) is based on the selling price of the vehicle prior to the applied CARS rebate.

Procedures

- Report the full selling price in the Certificate of Cost Section of the New Report of Sale (REG 397) prior to the applied CARS rebate.
- The VLF class is based on the full selling price of the vehicle; do not deduct the CARS rebate.
- The California Board of Equalization has determined that CARS rebate credits are exempt from sales tax. When determining the amount of sales tax, deduct the CARS credit from the full purchase price of the vehicle.

Example: A \$30,000 vehicle that is paid in part using the \$3,500 CARS credit remains \$30,000 for the purpose of determining the VLF. Some dealers are mistakenly using a reduced amount (\$26,500). The sales tax, however, is based on \$26,500.

Background

CARS is a federal program that assists consumers when buying or leasing a new environmentally-friendly vehicle from participating dealers. This program is scheduled to run through November 1, 2009, or until the one billion dollar funding is exhausted.

Distribution

Notification that this memo is available online at www.dmv.ca.gov under Publications was made via e-mail alert in July 2009.

Contact

Call the DMV Customer Communications Section, at (916) 657-6560, for further clarification of this memo. Upon request, this document can be produced in Braille or large print.



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