

MVD Procedural Quick Update

#86rev

RE: **Excise Tax – New Definition of “Price Paid”**
Effective date: **Immediate**

Date: April 6, 2009
To: All MVD
From: Mac Lewis, MVD Policy and Procedures Manager

[This is the latest in a series of procedural updates. These updates deal with specific MVD procedures and practices. Managers and Supervisors should consistently distribute the updates to all personnel and integrate them into regular information and training sessions.]

“Price paid” is now defined by rule for the purpose of calculating the Motor Vehicle Excise Tax (MVET). The new definition primarily affects the MVET calculation for new car sales. This revision of PQU#86 seeks to clarify what dealer services are or are not included in “price paid” for calculation of the MVET.

The Motor Vehicle Excise Tax Act (Chapter 7, Article 14 NMSA 1978) requires payment of a motor vehicle excise tax (MVET) on the sale of every vehicle required to be registered in New Mexico. The issuance of every original and subsequent certificate of title is presumed to be a sale for tax purposes, unless specifically exempted by the Motor Vehicle Excise Tax Act.

The rate of the motor vehicle excise tax is three percent (3%) and is applied to the price paid for the vehicle.

There are exceptions for used cars and gift transfers, as described in PQUs #81, rev2 and 82. And specific exemptions from the tax are detailed in Sec. 7-14-6 and in Chapter 6, Sections D and E of the Vehicle Procedures Manual. But for new vehicle and other dealer sales, the price paid for calculation of the MVET is based on the dealer invoice.

Until now “price paid” has not been defined in statute or rule, but has been interpreted to exclude dealer transportation and preparation charges and has not reflected manufacturers’ rebates. Now, effective February 13, 2009, “price paid” is defined by rule (3.11.4.7D NMAC) as:

... the total net purchase price paid by the buyer for the vehicle itself, including any deposit or down payment, at the time of sale. “Price paid” includes any charges to the buyer for accessories, transportation, delivery and dealer preparation.

“Price paid” is reduced by the value of any vehicle trade-in and by any discounts or rebates that are applied to the buyer’s balance due at time of sale.

“Price paid” is also reduced by the value of any manufacturer’s or other rebate that is contractually guaranteed to the buyer at time of sale, even though the rebate is received by the buyer at a later date.

Since the original issuance of PQU#86 on March 24, 2009, there has been some confusion with regard to the “dealer transfer fee” or “dealer doc fee” that a dealer may charge the buyer for handling the titling and registration process and documents, and whether such charges are to be considered subject to MVET as “dealer preparation fees.”

To the contrary, "dealer preparation" or "dealer prep" is intended to refer to the preparation of the vehicle for delivery to the buyer, and, as such, is considered to be part of the price paid for the vehicle itself. Dealer prep does not include any fees that may be separately charged by the dealer for preparation and processing of title and registration documents.

By contrast a dealer transfer service fee, for document preparation and processing, is an add-on service that is clearly not part of the price paid for the vehicle itself. It is rather an additional service provided after the sale. As such it is a service subject to gross receipts tax (GRT) and should not be included in calculating the MVET.

Similarly, if a dealer sells vehicle insurance and charges an insurance premium at time of sale, such a premium could not be considered part of the price paid for the vehicle itself, and should not be included in the MVET calculation.

A sample new car price summary, with "price paid" identified and the correct MVET shown may be helpful as a guide:

Motor Vehicle Excise Tax – Sample Computation of Price Paid and Tax Due

New car price summary

Base price	\$30,000.00	
Add: Freight and dealer prep	600.00	included in price paid
Additional equipment	4,400.00	included in price paid
Less: Dealer discount	(1,500.00)	deducted from price paid
Manufacturer's rebate	(3,000.00)	deducted from price paid
Trade-in	<u>(10,000.00)</u>	deducted from price paid
Sale price	<u>\$20,500.00</u>	

Excise Tax Calculation

Down payment	3,000.00	paid as down payment
Net due and paid upon delivery	<u>\$17,500.00</u>	paid on delivery of vehicle
Total "price paid" for calculation of MVET	<u>\$20,500.00</u>	
MVET rate	x 3%	
Motor vehicle excise tax due	<u>\$615.00</u>	

Field office managers and supervisors should refer any comments or questions regarding this Procedural Quick Update to their Bureau Chiefs, with cc to mac.lewis@state.nm.us. Others are encouraged to direct comments or questions directly to Mac Lewis.
