

Titling Tips

December 2011

Important Reminders for Dealers

➤ ATTENTION LICENSED DEALERS! CHANGES EFFECTIVE DECEMBER 12, 2011 TO REDUCE VEHICLE SALES TAX FRAUD

The Department of Revenue is receiving title transactions in which individuals are fabricating dealer-certified title applications, bills of sale, and insurance total-loss statements. Title applicants and unscrupulous individuals acting on behalf of applicants are recording fraudulent purchase prices, trade-in amounts, other credits, rebates, and net prices on these documents—as well as title assignments—to reduce their sales tax liability. We may have contacted your dealership recently in this regard to verify suspicious net price and trade-in amounts. If so, we greatly appreciate your assistance in confirming this information.

In an effort to further combat fraud, the Department established the following procedures and communicated them to Missouri dealers through the Missouri Automobile Dealers Association, Missouri Independent Automobile Dealers Association, the Department's web site, and e-mail notifications to request your assistance in implementing the following changes *effective* December 12, 2011. You can learn more about these changes by viewing the corresponding [webinar](#).

1. Complete the sales-related amounts on the title assignment;

- Record the sale price, trade-in amount or "*None*" if no trade-in, and the net price when completing title assignments on *retail* sales, so the license office can verify that the amount on the title application or invoice was not altered, and that it matches what is on the assignment. In most of the fraud cases referenced above, the selling dealer left these amounts blank on the title assignment, which makes it much easier to carry out the fraud. *Recording the pricing information on the title assignment is very important to*

avoid action being taken against your dealer license.

- If the ownership document does not have a preprinted area for recording the pricing information, the dealer should record "Net Price" and the corresponding net price.
- 2. Report the net price correctly when filing electronically and completing Notices of Sale;**
 - When you e-file, ensure that the price you enter for each vehicle sale is the "net" price of the unit (not the "purchase price"), which should coincide with the "net" price you record and certify on the title application and record on the assigned title you provide your purchaser. Please double-check the accuracy of the amounts entered. The Department frequently relies on this information in determining the vehicle purchaser's sales tax liability, so it is critical that it be correct.
 - 3. Provide trade-in documentation, if applicable; and**
 - Provide vehicle purchasers with a *copy of the front and back of the title* assigned from the owner of the trade-in to your dealership, and advise purchasers to submit the copies with their application for title to the license office. This will help the Department validate the trade-in—especially when the vehicle purchaser is not the owner of the vehicle traded in, and when the title for the vehicle traded in is an out-of-state title.
 - If the title to the trade-in is held by a lienholder, provide a copy of the completed [Secure Power of Attorney \(Form 5086\)](#) in lieu of the title copies.

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4. Advise new Missouri resident vehicle purchasers about the requirement (below) for claiming a 180-day tax credit.

- ***New*** Missouri residents must submit ***original*** proof of ownership from their state of residence (i.e., an ***original*** registration receipt, or a ***certified*** title record from their state) before the Department will allow the vehicle to be used as a 180-day tax credit. Title applicants who do not have the original proof of ownership will not receive the tax credit at the time of application. If they obtain the proof at a later date, they may apply for a refund of the tax credit.

Thank you for helping the Department ensure that all vehicle purchasers pay the correct amount of state and local sales tax as required by Missouri law. Your assistance is greatly appreciated!

➤ **DEALER SALES REPORTS**

Dealers submitting sales reports electronically do ***not*** need to also mail a paper sales report or notice of sale to the Central Office.

Dealers that submit sales reports electronically can amend their sales reports for up to 60 days.

➤ **SALVAGE BUSINESSES ARE NOT EXEMPT FROM SALES TAX**

Salvage businesses are not exempt from sales tax on the purchase of a vehicle, and may not sign a certificate of title in the dealer reassignment area until they have obtained a certificate of title in their name. However, licensed motor vehicle dealers who also hold a salvage license may purchase a salvage vehicle in the dealership's name, tax-free, perform the repair work under their salvage license, and then sell the vehicle without the salvage company ever taking ownership of the vehicle.