Dealership Specific Frequently Asked Questions

**Updates 1/8/2020**

**REBATES**
1. Are Rebates payable directly to the dealer from the manufacturer to assist in the sale of specific vehicles gross receipts?
   Rebates, which are manufacturer’s assistance, paid directly to the dealership are a reduction in the vehicle’s price and therefore would not be a gross receipt and therefore not subject to CAT.
2. Are rebates payable directly to the customer and then used as a down payment or capitalized cost reduction treated as taxable gross receipts?
   Yes. Customer rebates used to purchase or lease the vehicle are taxable gross receipts for the dealership subject to CAT.

**MANUFACTURER PAYMENTS**
1. Are manufacturer incentive payments received by the dealership as part of a manufacturer’s program taxable gross receipts?
   Manufacturer payments made directly to dealers as part of an incentive-based program relating ONLY to the selling of vehicles purchased from the manufacturer, are excluded from CAT taxable receipts.
   Manufacturer payments made directly to dealers as part of an incentive-based program relating to the selling of vehicles purchased from the manufacturer and upon meeting other performance-based metrics, are included in CAT taxable receipts.
2. How should manufacturer interest assistance be treated for CAT tax purposes?
   Manufacturer payments to cover interest expense on every vehicle for a period of time (i.e. 30 days) is a reduction in the cost of sale per IRS interpretation, and therefore would not be a gross receipt and would not be subject to CAT.

*Note: The exempt treatment is dependent on your federal tax treatment of the interest payments received. However, the CAT definition of a gross receipts does not necessarily follow the federal definition of a gross receipt. Therefore, we encourage you to consult with your tax advisor for clarification on your specific accounting method.*

3. How is dealer holdback paid on each vehicle purchased and then remitted back to the dealer from the manufacturer when the vehicle is sold treated for CAT tax purposes.
   Since the holdback is the return of the dealer’s money paid to the manufacturer, these amounts would not be a gross receipt and therefore not subject to CAT.

4. Would manufacturer advertising assistance/co-op advertising be taxable?
   If the manufacturer reimburses the dealership the amount paid by the dealer as shown on the invoice, thereby returning the dealer’s money, this amount would not be a gross receipt and therefore would not be subject to CAT.
   If the manufacturer compensates the dealership in excess of the amount paid by the dealer as shown on the invoice, the excess amount would be a gross receipt and subject to CAT.
5. Are manufacturer payments received by the dealer for preparation and conditioning work performed prior to delivery of a motor vehicle to a retail buyer taxable as gross receipts?
   Manufacturer preparation payments are taxable gross receipts for the dealership subject to CAT.

6. Should manufacturer payments received by the dealer for labor and parts to perform warranty or recall work be treated as gross receipts?
   Manufacturer payments for labor and parts to perform warranty and recall work are taxable gross receipts for the dealership subject to CAT.

7. If a manufacturer pays money to a dealer earmarked for a specific project such as a new building, is that a gross receipt?
   There is uncertainty regarding the federal income tax treatment of these payments. The payments are often considered other income, and taxable for federal income tax.

   If the payments do not meet the inducement payment criteria, and are subject to federal income tax, then the payments will be subject to CAT.

   There may be situations where this payment can be deemed an inducement payment, which is not shown as a receipt and reduces the capitalized cost of the asset purchased. In these cases, the inducement would not be a federal gross receipt and therefore would not be subject to CAT because CAT generally follows the federal tax accounting treatment.

   However, the CAT definition of a gross receipts does not necessarily follow the federal definition of a gross receipt. Therefore, we encourage you to consult with your tax advisor for clarification on your specific accounting method.

   **CAUTION:** These types of manufacturer programs take many forms. Dealers should consult with their professional advisors to determine whether a specific program will meet these requirements.

**DEALER TO DEALER SALES**

1. Are the following Dealer to Dealer transactions treated as gross receipts?

   a) A dealer to dealer trade where the transaction is intended to facilitate a specific customer’s order for a particularly equipped vehicle:
      No. Dealer trades which occur to satisfy a customer’s preference are exempt and therefore not subject to CAT. These trades may take two forms:
      1) Vehicle exchanged for another vehicle
         Best practice is to retain some documentation for the transaction.
      2) Dealer purchases a vehicle from another dealer

      **However, if there is not a specific customer request and a dealer to dealer trade takes place simply to acquire a different inventory mix, the transaction would be subject to CAT.**
b) A dealer sells a vehicle wholesale to another dealer:
   Yes, if the purchasing dealer is an Oregon dealer and the vehicle remains in Oregon, the sale would be subject to CAT.
   No, if the vehicle is sold to an out of state dealer so that the vehicle’s delivery location is outside the state of Oregon. Then, the sale would not be subject to CAT.

c) A dealer sells a vehicle wholesale at an Oregon auto auction to another dealer:
   If the purchasing dealer is an Oregon dealer and the vehicle is sourced in Oregon, the sale would be subject to CAT. If the vehicle is sold to an out of state dealer so that the vehicle’s delivery location is outside the state of Oregon, the sale would not be subject to CAT.

d) A dealer sells a vehicle wholesale at an out-of-state auto auction to another dealer:
   If the vehicle is sold to an out of state dealer so that the vehicle’s delivery location is outside the state of Oregon, the sale would not be subject to CAT.

REMEMBER: While selling at an out-of-state auction may avoid CAT if the buyer is not an Oregon resident and the vehicle’s destination is not Oregon, the selling dealer would have property and employees in a foreign state, possibly establishing the minimum contacts necessary to create nexus with the foreign state to create a tax liability to that state.

SALES & SERVICE
1. If a vehicle is sold at retail to a customer, is the transaction subject to CAT tax?
   Yes, if the vehicle is sourced in Oregon, the transaction would be subject to CAT.
   No, if the vehicle is sold to an out-of-state resident so that vehicle’s delivery location is outside the state of Oregon, the sale would not be subject to CAT.

2. If a dealer sells fleet vehicles, is the transaction subject to CAT tax?
   Yes, if the vehicle is sourced in Oregon, the transaction would be subject to CAT.
   No, if the vehicles are sold to an out-of-state resident so that vehicles’ delivery location is outside the state of Oregon, the sale would not be subject to CAT.

3. Are title fees and registration fees treated as gross taxable receipts?
   No, these items are not gross taxable receipts and are not subject to CAT.

4. Are documentary service fees a gross taxable receipt?
   Yes, doc fees are treated as a gross taxable receipt and therefore are subject to CAT.

5. If a dealer delivers or ships parts out-of-state to a customer, is the sale subject to CAT tax?
   No, since the parts are delivered or shipped out-of-state, the transaction would not be subject to CAT.

REMEMBER: If the dealership delivers parts to an out-of-state customer (actually sends an employee and vehicle across state lines), CAT may be avoided due to the out-of-state exemption. However, the selling dealer would have property and employees in a foreign state, possibly establishing the minimum contacts necessary to create nexus with the foreign state to create a tax liability to that state.

6. When a dealer repairs a vehicle for an Oregon resident, is the repair subject to CAT tax?
   Yes, the transaction would be subject to CAT.
7. If a dealer repairs a vehicle for an out-of-state resident who will be taking the vehicle out of Oregon immediately upon the completion of the repair, is this a taxable gross receipt?
   Yes. The transaction would be subject to CAT, even if the vehicle is then taken outside the state of Oregon.

8. How should sales of service to internal departments (internal repair orders) be treated for CAT tax purposes?
   - If the dealership is a single entity, the transaction would not be subject to CAT.
   - If the dealership is comprised of multiple entities it depends upon how they are registered with the state for CAT purposes:
     - Combined entities would be subject to CAT.
     - Unitary groups would not be subject to CAT.

F&I PRODUCTS
1. Would dealer reserve payments from a financial institution for obtaining financing for a customer be considered gross receipts?
   Yes. Dealer reserve payments are taxable gross receipts, subject to CAT.

2. Is chargeback of dealer reserve payments when there is a default or payoff of a loan requiring the dealership to pay back all or part of the dealer reserve deductible?
   A chargeback of the dealer reserve is deductible against the portion of CAT paid and reduces the taxable receipt report in the future, if the dealer had paid CAT on the original transaction. Therefore, the dealership would receive a refund of CAT paid for the amount of the chargeback.

3. How are service contracts, credit life and disability, GAP, as well as other types of F&I products and services treated for CAT tax purposes?
   If the dealer is the obligor and therefore retains the total sale price, this whole amount would be a taxable gross receipt and subject to CAT.
   
   When the dealer is a third-party non-obligor that collects the total sale and remits the non-commission portion to the obligor, the conclusion is dependent on the facts and circumstances. If the product meets the definition of a “financial instrument” or the dealer meets the CAT definition of an “agent,” only the portion retained by the dealer would be subject to CAT. However, if the product does not meet the definition of a “financial instrument,” or the dealer does not meet the CAT definition of an “agent,” then the whole amount may be a taxable gross receipt and subject to CAT. We recommend consulting your tax advisor to fully discuss this situation.