

# **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 requests your assistance in implementing the following changes **effective December 12, 2011**. You can learn more about these changes by viewing the corresponding webinar ([See below](#)).

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 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.
  
2. **Report the net price correctly when filing electronically and completing Notices of Sale;**
  - Ensure the price you enter when you e-file 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 (DOR-5086) in lieu of the title copies.
  
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.

(continued)

Please share this information with your staff and implement these changes by **December 12, 2011**. Thank you for helping the Department ensure all vehicle purchasers pay the correct amount of state and local sales tax as required by Missouri law. Your assistance is greatly appreciated!

You can learn more about these changes by viewing the corresponding [webinar](#).

**Here are some recent FAQ's that have come in:**

**Q. Does the price need to be Recorded on the trade title when it is assigned to the dealership?**

*A. The intent of the 12/12 changes is to decrease tax fraud at the point the purchaser applies for title. It is not DOR's intent to require the dealership to provide the trade-in price when the vehicle is assigned to the dealership; however, the dealer does need to record the trade-in amount on the back of the title for the vehicle the customer is purchasing, in addition to the purchase and net price. DOR sees many titles with the pricing information omitted in the dealer assignment area which opens the flood gates for the fraud being committed by purchasers attempting to reduce the sales price with the ultimate goal of paying less sales tax.*

**Q. If the price needs to be recorded, can it be recorded on the COPY of the trade title and not on the original title? Dealers don't want the new purchaser to see the price allowed by the dealer to the previous owner.**

*A. The price is not required on the trade-in title as noted above.*

**Q. Regarding the sale price being recorded on the MSO. The MSO does not have a designated place to Record the sale figures, but it might be possible to have the information programmed to print on the MSO. Which brings up the following questions:**

**Will we need to program Sale price \_\_\_\_\_ or will just Net Price \_\_\_\_\_ be sufficient...What about Rebate \_\_\_\_\_; Trade allow \_\_\_\_\_??**

*A. Ideally, sale price, rebate, trade-in amount and net price would be recorded. If there is not room for this, however, "Net Price" is sufficient.*

**Q. What about out-of-state titles where that state's titles do not have a place on them to record the sale price?**

*A. If an out-of-state title does not have a designated area for sales related amounts, and there was enough room, DOR requests dealers to type in "Net Price" and insert the corresponding amount.*

**SAM BARBEE, PRESIDENT & CEO**

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