

# INFORMATION SHEET

## **NEW AUTOMOBILE WARRANTIES ACCOUNT SURCHARGE ON THE SALE OF NEW PASSENGER MOTOR VEHICLES AND MOTORCYCLES**

### **PURPOSE**

Pursuant to the provisions under CGS 42-190, a surcharge is imposed on the sale or lease of new passenger motor vehicles and motorcycles sold by any person licensed to offer such vehicles for sale under Section 14-52 of the Connecticut General Statutes.

### **EFFECTIVE DATE**

This provision is effective July 1, 2001, and is applicable to the sale or lease of new passenger motor vehicles and motorcycles entered into on, or after, July 1, 2001.

### **STATUTORY AUTHORITY**

Connecticut General Statute 42-190. This program is administered by the State of Connecticut Department of Consumer Protection.

### **DEFINITIONS**

“New Car Dealer” means any person, firm, or corporation licensed under Section 14-52 of the Connecticut General Statutes engaged in the business of merchandising new motor vehicles or motorcycles under a manufacturer’s or importer’s contract for each such make of vehicle.

“Passenger Motor Vehicle” means a passenger motor vehicle as defined in Connecticut General Statutes 14-1, Section 59.

“Motorcycle” means a motorcycle as defined in Connecticut General Statutes 14-1, Section 46.

“New Motor Vehicle” means a motor vehicle, the equitable or legal title to which has never been transferred by a manufacturer, distributor, or dealer to an ultimate consumer (Connecticut General Statutes 14-1, Section 48).

### **IMPOSITION OF SURCHARGE**

The New Automobile Warranties Account surcharge is imposed on the sale or lease of new passenger motor vehicles and motorcycles. The surcharge is to be collected by the new car dealer from the purchaser, and shall be a debt from the purchaser to the new car dealer that is recoverable by law in the same manner as other debts. Such surcharge shall be in addition to any tax otherwise applicable to any such sales transaction.

The amount of the surcharge is three dollars per new passenger motor vehicle or motorcycle sold or leased in this State.

### **ONLY SALES OR LEASES TO THE UNITED STATES GOVERNMENT, STATE MUNICIPALITY OR FLEET SALES OR LEASES ARE EXEMPT**

Sales or leases of new passenger motor vehicles or motorcycles to the United States Government, State of

Connecticut, and municipalities, are exempt from the New Automobile Warranties Account surcharge. All other sales and leases of new passenger motor vehicles and motorcycles are subject to the surcharge, including those sales or leases that are exempt from sales and use tax.

**SURCHARGE EXCLUDABLE FROM MEASURE OF SALES AND USE TAXES**

The New Automobile Warranties surcharge shall not be included in the calculation of sales and use taxes and, is not subject to sales and use taxes.

**FILING REQUIREMENTS**

The surcharge is due and payable to the State on, or before, the last day of the month following the end of each calendar quarter. The return form shall show the number of all new motor vehicles and motorcycles that were sold or leased by the new car dealer during the preceding reporting period, and the total amount of surcharges for such period.

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**"FREQUENTLY ASKED QUESTIONS ABOUT THE LEMON LAW SURCHARGE"**

**WHAT IS THE ACTUAL EFFECTIVE DATE OF THE LEMON LAW SURCHARGE?**

Dealers covered by this new law are liable for its implementation as of July 1<sup>st</sup>, 2001.

**WHAT IS THIS MONEY GOING TO BE USED FOR? I NEED TO EXPLAIN THIS SURCHARGE TO MY CUSTOMERS.**

The surcharges collected by Connecticut-licensed dealers and forwarded to the Department of Consumer Protection will be deposited into a restricted-use appropriation account, and used to fund the activities of the State's "Lemon Law Arbitration Program". This unit provides an independent arbitration mechanism for settling disputes between consumers and automobile manufacturers regarding defective new cars and motorcycles. Department employees and a pool of volunteer arbitrators comprise the staff for this program.

**WE SELL MANY DIFFERENT TYPES OF VEHICLES. HOW DO I KNOW IF THE PASSENGER CARS AND MOTORCYCLES THAT WE SELL ARE SUBJECT TO THE NEW SURCHARGE?**

You should impose the surcharge on any vehicle that will be registered in one of the three following categories: "passenger vehicle"; "passenger/commercial (combination)"; or, as a "motorcycle". All other registration categories, and motorcycle-type vehicles that are unregistered, are not subject to the surcharge because these types of vehicles are not covered by the Lemon Law.

**WE SELL PASSENGER CARS AND/OR MOTORCYCLES TO CONSUMERS WHO LIVE IN OTHER STATES AND REGISTER/USE THEIR VEHICLES IN THESE STATES. DO WE HAVE TO IMPOSE THE SURCHARGE ON THESE PURCHASES?**

Yes because the purchaser can utilize the Connecticut Lemon Law Arbitration Program if the vehicle is

purchased in this state. The law calls for the collection of the surcharge "by each licensee under section 14-52 of the general statutes engaged in new passenger vehicle or motorcycle sales in this state."

**IS THE SURCHARGE TAXABLE?**

No. The Lemon Law surcharge is not subject to sales and use tax.

**DO I IMPOSE THE SURCHARGE ON A NEW CAR OR MOTORCYCLE THAT IS PURCHASED BY ANOTHER DEALERSHIP SINCE THEY WILL BE USING IT WITH THEIR "DEALER" PLATES UNTIL THEY CAN SELL IT TO A CONSUMER?**

No. In such cases, the surcharge will be imposed upon the consumer who ultimately purchases the vehicle from the dealer who used it with "dealer" registration plates.

**IF I SELL A FLEET OF CARS TO A NON-PROFIT ORGANIZATION, IS THIS SALE SUBJECT TO THE SURCHARGE?**

Yes if they are registered as "passenger", "passenger/commercial (combination)", or "motorcycle". The only sales that are exempt from the Lemon Law surcharge are those made to the federal, state, or municipal governments.

**HOW MANY CARS CONSTITUTE A FLEET?**

The law is silent on this, therefore, the only exemptions to the surcharge should be for those sales, individual or fleet, made to federal, state, and local governments.

**GIVEN TRUTH IN LENDING LAWS, DO I HAVE TO SHOW THE SURCHARGE AS A SEPARATE LINE ITEM ON MY PURCHASE ORDER SO THAT THE CONSUMER IS AWARE OF THE \$3.00 LEMON LAW SURCHARGE, OR CAN I INCLUDE THIS CHARGE IN WITH THE DMV AND/OR OTHER FEES THAT DEALERS MUST ALSO COLLECT FROM THE CONSUMER WHO PURCHASES A NEW CAR OR MOTORCYCLE?**

The Department recommends that you show the Lemon Law surcharge as a separate line item so that the consumer is aware of the \$3.00 fee that is included in the sale. Please keep in mind the fact that the surcharge is not taxable when considering revisions to your internal paperwork. It may be helpful for you to consult with other dealers in this regard.