

Date of Hearing: August 20, 2025

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

SB 791 (Cortese) – As Amended July 3, 2025

Policy Committee: Transportation

Vote: 11 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill increases the document processing fee a car dealer may charge a customer. Current law caps the document processing fee at \$70 (or, under some circumstances, \$85), whereas this bill caps the fee at 1% of the price of the vehicle being sold, up to \$350.

The bill also makes several document processing fee disclosure requirements of a dealer, makes it a misdemeanor if a dealer, in its vehicle advertising, fails to disclose that there is a document processing charge not to exceed \$350 and authorizes the Department of Motor Vehicles (DMV) to suspend or revoke a dealer's license for failing to make this disclosure. The bill also exempts from the document processing fee the sale of vehicles to the State of California and to a local government entity.

FISCAL EFFECT:

- 1) This bill is likely to result in additional consumer complaints to DMV. Actual costs are difficult to estimate and will depend on the number of complaints DMV receives, but it is reasonable to assume costs may be significant.

DMV describes the workload this bill is likely to create as resulting from handling increased consumer complaints, enforcing proper fee application and updating public materials and dealer guidance. DMV contends a reasonable estimate of resulting costs to be \$180,000 annually (Motor Vehicle Account (MVA)).

MVA is the primary funding account for DMV and the California Highway Patrol (CHP). DMV notes the MVA is facing insolvency and references a report by the Legislative Analyst's Office (LAO) that recommended, "Until a plan is put in place to address MVA's structural deficit, we recommend the Legislature set a high bar for considering approval of any proposals that create additional MVA cost pressures and accelerate the risk of insolvency."

DMV further notes that the summary of the May revise to the 2025-26 Governor's Budget observed:

Given the ongoing fiscal constraints in the MVA, the Administration will continue to prioritize fiscal discipline. This means limiting new workload or initiatives including those with delayed implementation dates that would create additional cost

pressures over time. By focusing on core operational priorities, the DMV can serve Californians while staying within available MVA resources.

- 2) A violation of this bill's provisions is a misdemeanor and, therefore, it may create cost pressures (General Fund (GF) or Trial Court Trust Fund (TCTF)) of an unknown, but potentially significant amount, to the courts in addition resulting from an increased number of criminal actions. It is unclear how many additional actions may be filed statewide, but the cost of one hour of court time is approximately \$1,000. Although courts are not funded on the basis of workload, increased pressure on staff and the TCTF may create a demand for increased court funding from the GF to perform existing duties. The Budget Act of 2025 provides \$82 million ongoing GF to the TCTF for court operations.

COMMENTS:

- 1) **Purpose.** The author describes this bill as “a fair, transparent, and protective measure.” Fair, because, according to the author:

it ensures that dealerships and their employees can recover costs for the important and convenient consumer services they provide...transparent because it reflects the true cost of the documentary services dealers provide their customers, rather than an arbitrarily low capped amount that doesn't reflect the dealers' actual time, money, and effort...protective because it ensures consumers will be able to continue receiving these services, many of which dealership employees perform on behalf of the DMV, thereby saving the consumer significant time and hassle.

- 2) **Background.** A car dealer will often charge its customers to cover the dealer's cost to process vehicle registration with DMV and other transactions necessary to complete the sale of an automobile. J.D. Power, in an article published on May 21, 2023, called a fee charged by an auto dealer for document processing costs “a legitimate charge.” The article also described “a fair documentary price” as one that is up to \$150, but advised consumers to “keep in mind that the dealer may choose to charge more or less if your state has a maximum doc fee number.” (See “What Is a Dealer Document Fee?” by Dustin Hawley.)

California law caps the amount an auto dealer may charge a buyer for the preparation and processing of documents, disclosures, and titling, registration and information security obligations imposed by state and federal law. Generally, this charge is known as a document processing charge or fee. According to the state law, an auto dealer that has a contractual agreement with DMV to be a private industry partner may charge a buyer a document processing fee of at up to \$85. Any other auto dealer may charge a buyer a document processing fee of up to \$70. A car buyer is not obligated to pay the document processing fee, which is subject to negotiation between the buyer and seller.

The Legislature last approved an increase in the document processing charge cap in 2016, when it approved AB 516 (Mullin), Chapter 90, Statutes of 2016, which authorized car dealers to raise their document processing fees by \$5. The Legislature rejected a subsequent effort—SB 1249 (Archuleta), of the 2021-22 Legislative Session—that would have increased the document processing fee from \$85 to \$175, starting in 2024.

3) **Support and Opposition.** Consumer advocates, such as those representing Consumers for Auto Reliability and Safety (CARS) describe the existing fee authorization as a consumer protection, because, CARS reports, auto dealers in states without statutory documentation fee caps charge substantial higher amounts for documentation processing than do dealers in California. However, CARS and other consumer advocates strongly object to the documentation fee cap increase proposed by this bill. A coalition that includes the Consumer Attorneys of California and Consumer Reports, among many others, describe the document processing fee as “the epitome of a ‘junk fee’” and note the bill proposes to quadruple the current fee cap. Some of the objections the coalition makes to the bill, among many others, are:

- The fee “fails to reflect what the service actually costs dealers to provide” and creates “the false impression that it is an ‘official’ fee and is non-negotiable.”
- The bill “does nothing to improve services or protections for consumers, and is totally one-sided in favor of car dealers at the expense of consumers.”

Bill proponents—the California New Car Dealers Association and sellers of cars, such as Carmax and Enterprise Mobility, among others—see things differently. According to the bill proponents, the document processing fee is “not a fee or a tax, but a voluntary, non-governmental discretionary charge that helps pay for the substantial staff time and technology required to complete the many sale and document processing services associated with the transaction.” The proponents describe the cap proposed by this bill as “a fair, transparent, and protective measure.” As justification of the fee cap increase, proponents assert “California’s car dealerships are subject to the most stringent document processing and compliance requirements in the country” and point to a study conducted by J.D. Power in 2019, which, according to the proponents, “concluded that the average transaction cost to each California dealership of providing document processing-related services is \$447.”

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