

SENATE THIRD READING
SB 791 (Cortese)
As Amended September 2, 2025
Majority vote

SUMMARY

Increases the document fee a car dealer is allowed to charge a customer to 1% of the cost of the vehicle up to \$260, and sunsets the provisions of this bill on January 1, 2031.

Major Provisions

- 1) Exempts the State of California or any local governmental entity including cities, counties, cities and counties, and special districts from having to pay the document fee.
- 2) Requires a dealer to conspicuously display a notice in each sales office and sales cubicle of a dealer's established place of business that states that "the dealer is authorized to collect a document processing charge that varies based on the price of the vehicle, but shall in no event exceed \$260. This charge is not a government fee."
- 3) Requires the car dealer to provide to the customer, prior to the execution of the sales or lease agreement, a disclosure that includes the specific amount of the document processing charge and the statement "The dealer is authorized to collect a document processing charge in the final contract. This charge is not a government fee."
- 4) Prohibits the a car dealer from collecting any other charge for the preparation and processing of documents, disclosures, and titling, registration, and information security obligations unless expressly authorized by state or federal law.
- 5) Makes it a misdemeanor if a dealer, in its advertisement with the vehicle, fails to disclose that there is a document processing charge not to exceed \$260. Authorizes the Department of Motor Vehicles (DMV) to suspend or revoke a dealer license for failing to make this disclosure.
- 6) Repeals all of the provisions of this bill on January 1, 2031 and reverts back to existing law.

COMMENTS

The price of cars has risen steadily over the last several years. According to Cox Automotive, the average price of a new car was less than \$40,000 in 2019. As of this year it has risen to nearly \$50,000. According to Kelley Blue Book, the average price of a used car had grown from \$20,618 in 2019 to \$25,565 in 2025.

Dealers are permitted to charge a document processing fee of \$85 in California. This fee is not included in the advertised price of a vehicle and is substantially lower than what dealers charge in other states. The majority of states do not provide a cap on their document fee. The states that do have caps on their document fees tend to have a cap of less than \$250. Texas, for example, requires dealers to prove in administrative court the cost associated with processing their documents in order to increase the document fee. This past year Texas increased their document fee to \$225. New York recently changed their document fee cap to \$175. At \$260, California

would have one of the higher statutorily capped document fees (Maryland has the highest at \$800).

Document fees are negotiable. JD Power and Associates recommends to consumers that they should not pay more than \$150 for the document fee.

According to the California New Car Dealers Association (CNCDA) year end 2024 auto outlook report, 1.8 million new cars were registered in California. With a \$175 increase to the document fee, dealers could bring in \$315 million in additional revenue if car sales remain steady in 2026.

The first significant document processing fee increase occurred in 1996 when the cap for the fee was increased from \$35 to \$45. SB 44 (Torlakson), Chapter 623, Statutes of 2006 increased the fee from \$45 to \$55. AB 1215 (Blumenfield), Chapter 329, Statutes of 2011 increased the fee from \$55 to \$80. At the time, CNCDA argued that dealer costs to comply with government requirements range from \$75 to \$180 per transaction, depending on the complexity of the transaction.

Most recently, AB 416 (Mullin), Chapter 90, Statutes of 2016 increased the document fee by \$5 to reflect increased costs the Legislature placed on the car dealers to process paper license plates.

CNCDA asserts that \$85 is not sufficient to cover their costs and that the costs of providing document process-related services is \$477. CNCDA has provided the committee with a 2019 J.D. Power study that measured the time per transaction fee. That study looked at the cost of processing document fees at six California dealerships and included the time spent per transaction. The \$447 fee would include all third party service providers' expenses, direct forms and supplies, and payroll expenses attributed to documentation. Next, the study showed that the fee is \$363 per transaction if the fee were to exclude any sales management payroll expenses. Lastly, the fee was determined to be \$234 per transaction if the fee excluded vehicle sales and vehicle sales management payroll expenses.

Consumer protections. In an effort to make the document fee more transparent, this bill requires dealers to disclose that the advertised price does not include a document fee, which may be as high as \$260. Failure to do so is a misdemeanor, with the ability for the DMV to take actions against the dealer's license. This bill requires the contract to include a statement that the document fee is not a government fee and dealer offices are also required to include disclosures regarding the document fee. Failing to do so authorizes DMV to take action against the dealer's license to operate.

In order to reduce potential costs to government, this bill prohibits a dealership from charging a document fee to the State of California or any local government entity.

According to the Author

"SB 791 modernizes the non-governmental charge that auto dealerships may collect when selling or leasing a vehicle to ensure that dealerships and their employees can recover their costs and continue providing important services for consumers at the time of vehicle purchase.

"At the time of vehicle purchase, California auto dealerships provide a one-stop-shop of consumer services, including DMV transactions, loan processing, privacy and fraud protection, contract translation, vehicle trade-in services, warranty services, and more. Under existing law, auto dealerships are statutorily authorized to collect a "document processing charge" (DPC) to

cover these services. The DPC is not a fee or a tax, but a voluntary, non-governmental 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.

"To cover the substantial staff time and costs of technology and equipment associated with these obligations, California currently allows auto dealerships to collect a *maximum* DPC of \$85 per transaction. The DPC—like other consumer charges—must be itemized and explicitly disclosed to consumers on both the contract and pre-contract disclosure.

"California's statutory maximum of \$85 is by far the lowest DPC in the country and amounts to ¼ of the national average, which is approximately \$375."

Arguments in Support

The California New Car Dealers, *the sponsors of this bill*, argue "the time and resources that dealerships and their employees put into each transaction was documented by a 2019 study conducted by J.D. Power, which concluded that the average transaction cost to each California dealership of providing document process services is \$447, over five times the current DPC cap.

"To address this significant shortfall, SB 791 proposes to eliminate the current DPC (\$85) and replace it with a 1 percent charge on the price of the vehicle. This way, those purchasing a more expensive vehicle will pay more while those purchasing a less expensive vehicle will pay less. SB 791 will preclude the DPC from exceeding \$500, meaning the DPC will be capped at \$350 for those purchasing a vehicle at a price point of \$35,000 or higher.

"SB 791 is a fair, transparent, and protective measure. It is fair because it ensures that dealerships and their employees can recover costs for the important and convenient consumer services they provide. It is 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. Finally, it is 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."

Arguments in Opposition

Consumers for Auto Reliability and Safety, Consumer Reports, Public Counsel, the California Low Income Consumer Coalition and others, *write in opposition to this bill*, arguing:

"Car dealer document fees are the epitome of a "junk fee" that fails to reflect what the service actually costs dealers to provide, is not required to be disclosed up front, and is presented at the end of the transaction along with governmental fees, creating the false impression that it is an "official" fee and is non-negotiable.

"Historically, increases in the document fee have been incremental, and were the subject of negotiations so that they related to improvements in protections for car buyers. However, SB 791 does nothing to improve services or protections for consumers, and is totally one-sided in favor of car dealers at the expense of consumers.

"The sponsors of SB 791 claim that one supposed justification for the increase is the cost of preparing loan documents. However, they fail to disclose that car dealers typically receive hefty kickbacks from lenders in exchange for assigning loans, and in fact that function is one of the biggest sources of profits for car dealers.

"Current law does not require car dealers to include document fees in the advertised price. If car buyers were fully informed up front about the costs, they might choose alternatives, such as purchasing vehicles from private parties and / or joining their local auto club (AAA), which typically provides car title transfer, licensing, and registration services to members for a relatively small fee, or no fee at all.

"The timing could not be worse, with the price of cars predicted to skyrocket due to tariffs. Instead of adding to the price of buying a car in California in order to benefit car dealers, the Legislature and Governor should work together to reduce the costs imposed on car buyers and make buying a car less risky and more affordable."

FISCAL COMMENTS

According to Assembly Appropriations Committee:

- 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 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.

VOTES**SENATE FLOOR: 29-1-10**

YES: Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Jones, Laird, Limón, McGuire, McNerney, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Strickland, Umberg, Wahab, Weber Pierson

NO: Stern

ABS, ABST OR NV: Allen, Blakespear, Cabaldon, Hurtado, Menjivar, Niello, Ochoa Bogh, Reyes, Valladares, Wiener

ASM TRANSPORTATION: 11-0-5

YES: Wilson, Davies, Aguiar-Curry, Carrillo, Hart, Hoover, Jackson, Macedo, Papan, Ransom, Ward

ABS, ABST OR NV: Ahrens, Harabedian, Lackey, Lowenthal, Rogers

ASM APPROPRIATIONS: 12-0-3

YES: Wicks, Arambula, Calderon, Caloza, Elhawary, Fong, Mark González, Ahrens, Pacheco, Pellerin, Solache, Tangipa

ABS, ABST OR NV: Sanchez, Dixon, Ta

UPDATED

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