

Banks Qualify as Vendors When Selling
Repossessed Motor Vehicles

Banks and car rental agencies which sell repossessed motor vehicles qualify as vendors of motor vehicles for sales and use tax purposes. Any "vendor" must collect the appropriate tax at the time a sale takes place, unless he accepts a properly completed exemption document.

Some banking institutions have received letters from the Department of Motor Vehicles stating that banks are no longer considered "dealers" for the purposes of the Vehicle and Traffic Law and are therefore precluded from issuing Certificates of Sale (form MV-50). As a result, some banks have not been collecting tax on their sales of repossessed motor vehicles. It is important to note that the authority to issue a Certificate of Sale (form MV-50) is not a prerequisite for qualification as a "vendor," and, therefore, has no bearing on such vendor's liability to collect sales tax.

The program instituted by the Department of Motor Vehicles to insure that proper tax is remitted on motor vehicle transactions (that is, to collect the sales tax at the time of registration) does not apply to vendors. This program applies only to casual sales where the seller is neither an automobile dealer nor a vendor registered for any other purpose. Banks, or any other registered vendor, dealing in repossessed motor vehicles must collect tax on every transaction which is not exempted by proper documentation.

Note: The same vendor responsibilities apply when banks repossess tangible personal property other than motor vehicles.