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DEPARTMENT OF REVENUE

Pa Online Messenger Association Meeting
October 7, 2019

Motor Vehicle Sales Tax
Motor Vehicle Understated Value Program

Presented by

Bureau of Enforcement Planning, Analysis and Discovery (EPAD)

Management staff

Charity Nolt

James M. Foster

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MVUV Program – PennDOT Forms

MV-1 Application For Title

“New” PA vehicle registrations

Section I. Taxes and Fees (tax return)

Potential fraud

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MV-4 Vehicle Sales Tax Return/Application For Registration

“Used” PA vehicle registration

Section I. Taxes and Fees (tax return)

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MVUV Program – PennDOT Forms

MV-3ST Motor Vehicle Verification of Fair Market Value by the Issuing Agent

- Industry guide
- Written description
- Required by Vehicle Code

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MVUV Program – PennDOT Forms
MV-13ST Affidavit of Gift

- Donor pays tax
- Donee may pay tax at registration
- Potential IRS consequences
- Cannot be a “gift” and a “purchase”
- No MVUV case created for gifts

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MVUV Program – PennDOT Forms

PennDOT Forms – Declarations

- Not source documents
- Subject to fraud
- Required by Vehicle Code

Not Acceptable for Proof of Purchase Price

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MVUV Program

"Transaction Not At Arms Length"

When because of affiliation of interests between the seller and purchaser, or for any other reason, the purchase price stated is not indicative of the true value of the vehicle, the purchase price shall, for purpose of the imposition of this tax, be determined as the prevailing market price of the vehicle

Prevailing Market Price = Fair Market Value
Fair Market Value = Price on open market

61 Pa. Code § 31.44(6)(b)
72 P.S. § 7201(g)(3)

MV-1 (8-12)

A. VEHICLE DESCRIPTION

MAKE OF VEHICLE	VEHICLE IDENTIFICATION NUMBER (VIN). IF TRACING REQUIRED, TAPE SECURELY TO REVERSE SIDE OF THIS COPY	BODY TYPE (SDN, TK, BUS, ETC.)	MODEL YEAR
GROSS VEHICLE WT. RATING	FUEL TYPE: ☐ GASOLINE ☐ HYBRID ☐ DIESEL ☐ ELECTRIC ☐ OTHER ☐ PROPANE ☐ NATURAL GAS	DIN/MECHANIC#	AUTHORIZED NOTARY PUBLIC OR CERTIFIED INSPECTION MECHANIC (PRINT NAME)
CHECK THE APPROPRIATE BLOCK IF THE VEHICLE IS TO BE USED OR WAS FORMERLY USED AS A ☐ TAXI OR A ☐ POLICE VEHICLE (IF APPLICABLE)	I certify that I have verified that a legible tracing cannot be secured and that the above VIN and vehicle weight information listed here and in Section F are correct.	SIGN HERE	

B. APPLICANT INFORMATION

LAST NAME (OR FULL BUSINESS NAME)	FIRST NAME	MIDDLE NAME	PA DL/PHOTO ID# OR BUS. ID#	DATE OF BIRTH
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STREET			DATE ACQUIRED/ PURCHASED	COUNTY CODE
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C. MILEAGE INFORMATION

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ODOMETER READING _____ _____ _____ _____ _____ _____ TENTHS ☒

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MAKE OF VEHICLE	VEHICLE IDENTIFICATION NUMBER (VIN)	MODEL YEAR
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	OPERABLE PEDALS ☐ YES ☐ NO	MAX DESIGN SPEED 25 MPH OR LESS ☐ YES ☐ NO
	AUTOMATIC TRANSMISSION ☐ YES ☐ NO	DESIGNED/ALTERED FOR ROAD USE ☐ YES ☐ NO
MOTOR HOME	CHASSIS MFR:	BODY MAKE:
TRAILER & VEHICLES BELOW	NUMBER OF AXLES:	REQ. REGISTERED GROSS WT. (INCLUDING LOAD)
	SUM OF GAWR'S:	UNLADEN WT. (EMPTY)
TRUCK, TRUCK TRACTOR	REQ. REGISTERED GROSS COMBINATION WT.	GROSS COMBINATION WT. RATING

G. ORIGINAL PLATE – CHECK ONE

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☐ TRANSFER OF PREVIOUSLY ISSUED PLATE ☐ TRANSFER & REPLACEMENT OF PLATE

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LESS TRADE-IN	
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	OPERABLE PEDALS ☐ YES ☐ NO	MAX DESIGN SPEED 25 MPH OR LESS ☐ YES ☐ NO
	AUTOMATIC TRANSMISSION ☐ YES ☐ NO	DESIGNED/ALTERED FOR ROAD USE ☐ YES ☐ NO
MOTOR HOME ▶	CHASSIS MFR:	BODY MAKE:
TRAILER & VEHICLES BELOW ▶	NUMBER OF AXLES:	REQ. REGISTERED GROSS WT. (INCLUDING LOAD)
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61 PA Code 31.44

Computation of Tax – Purchase Price

Includes

(1) Federal Excise Tax

(2) Financing and insurance charges, unless separately stated on the customer's invoice.

(3) Delivery or freight charges

(4) Warranty or "service" charges.

(5) preparation/additional work

(6) Additional accessories or equipment

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Constructive Purchase Price
(72 P.S § 7201(g)(3))

In determining the purchase price …of taxable tangible property or a service where, **because of affiliation of interests** …, or irrespective of any such affiliation, if for any other reason **the purchase price** declared by the vendor or taxpayer …is, in the opinion of the department, **not indicative of the true value** …, **the department shall, determine the amount of constructive purchase price upon …which the tax shall be computed** …

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61 PA Code 31.44

Computation of Tax – Trade In Amounts

Special Note on Trade In's

(1) Must occur at time of sale

(2) Vehicles must be in name of same party

MV-1 (8-12)

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Bill of Sale – Taxable vs. Nontaxable Items

Taxable

- Extended Service Contracts
- Extended Warranty
- Dealer Processing Charge
- Freight Charge
- Lojack - theft recovery system
- Rust Preventative or Undercoat
- Paint Sealant
- Splash Guards
- Moon Roof
- Wheel Locks

Nontaxable

- Title Fee
- License Fee
- Registration Fee
- Filing Fee
- Lien Filing Fee
- Temporary Tag Fee
- Document Prep Fee
- Credit, Life and Disability
- GAP Insurance
- Mfg Rebate / Factory Incentive
- Tire Fee

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CITY	STATE	ZIP CODE	DEALER ID NUMBER (IF APPLICABLE)	REFER TO COUNTY CODES LISTING ON REVERSE SIDE OF YELLOW COPY

NOTE: If a co-purchaser other than your spouse is listed and you want the title to be listed as "Joint Tenants With Right of Survivorship" (On death of one owner, title goes to surviving owner.) **CHECK HERE** ☐. Otherwise, the title will be issued as "Tenants in Common" (On death of one owner, interest of deceased owner goes to his/her heirs or estate.)

NOTE: IF THE VEHICLE IS TO BE USED AS A DAILY RENTAL OR LEASED VEHICLE, CHECK THIS BLOCK ☐. IF BLOCK IS CHECKED, COMPLETE AND ATTACH FORM MV-1L.

C. MILEAGE INFORMATION

☐ REFLECTS THE AMOUNT OF MILEAGE IN EXCESS OF ITS MECHANICAL LIMITS ☐ IS **NOT** THE ACTUAL MILEAGE **WARNING:** ODOMETER DISCREPANCY

WARNING: FEDERAL AND STATE LAWS REQUIRE THAT YOU STATE THE MILEAGE IN CONNECTION WITH THE TRANSFER OF OWNERSHIP. FAILURE TO COMPLETE OR PROVIDING A FALSE STATEMENT MAY RESULT IN FINES AND/OR IMPRISONMENT.

ODOMETER READING _____ TENTHS ☒

D. LIEN INFORMATION

IF NO LIEN, CHECK ☐ IS THIS AN ELT? (IF YES, FIN REQUIRED) ☐ YES ☐ NO	IF NO 2ND LIEN, CHECK ☐ IS THIS AN ELT? (IF YES, FIN REQUIRED) ☐ YES ☐ NO
1ST LIENHOLDER FINANCIAL INSTITUTION NUMBER	2ND LIENHOLDER FINANCIAL INSTITUTION NUMBER
1ST LIENHOLDER NAME	2ND LIENHOLDER NAME
STREET	STREET
CITY STATE ZIP CODE	CITY STATE ZIP CODE

E. VEHICLE TRADED

MAKE OF VEHICLE	VEHICLE IDENTIFICATION NUMBER (VIN)	MODEL YEAR
BODY TYPE (SDN, BUS, TK, ETC.)	CONDITION OF VEHICLE ☐ GOOD ☐ FAIR ☐ POOR	

F. ADDITIONAL VEHICLE INFORMATION

PASSENGER, TAXI/BUS	☐ PASSENGER ☐ TAXI ☐ LIMOUSINE ☐ SCHOOL BUS ☐ MASS TRANSIT ☐ OTHER BUS	SEATING CAPACITY
MOTORCYCLE, MOTOR DRIVEN CYCLE, MOPED	CYLINDER CAPACITY 50CC OR LESS ☐ YES ☐ NO	BRAKE HORSEPOWER ☐ 1.5 OR LESS ☐ 1.6 TO 5.0 ☐ OVER 5.0
	OPERABLE PEDALS ☐ YES ☐ NO	MAX DESIGN SPEED 25 MPH OR LESS ☐ YES ☐ NO
	AUTOMATIC TRANSMISSION ☐ YES ☐ NO	DESIGNED/ALTERED FOR ROAD USE ☐ YES ☐ NO
MOTOR HOME	CHASSIS MFR:	BODY MAKE:
TRAILER & VEHICLES BELOW	NUMBER OF AXLES:	REQ. REGISTERED GROSS WT. (INCLUDING LOAD)
	SUM OF GAWR'S:	UNLADEN WT. (EMPTY)
TRUCK, TRUCK TRACTOR	REQ. REGISTERED GROSS COMBINATION WT.	GROSS COMBINATION WT. RATING

G. ORIGINAL PLATE – CHECK ONE

☐ PLATE TO BE ISSUED BY DEPARTMENT (PROOF OF INSURANCE MUST BE ATTACHED.)

☐ TRANSFER OF PREVIOUSLY ISSUED PLATE

☐ TRANSFER & RENEWAL OF PLATE

☐ TRANSFER & REPLACEMENT OF PLATE

☐ TRANSFER OF PLATE & REPLACEMENT OF STICKER

I. TAX/FEES

PURCHASE PRICE (See Note on Reverse.)	
LESS TRADE-IN	
TAXABLE AMOUNT	
SALES TAX X 6% (.06), X 7% (.07) OR X 8% (.08) X (See Note on Reverse.)	
LESS TAX CREDIT	
1. SALES TAX DUE	
1A. EXEMPTION REASON CODE (must be a number from 1 to 26 or 0)	
1B. EXEMPTION NO.	
1C. PTA NO.	
2. TITLE FEE	
3. LIEN FEE	
4. REGISTRATION OR PROCESSING FEE	
FEE EXEMPT NUMBER AS ASSIGNED BY THE DEPARTMENT	
5. DUPLICATE REG. FEE NO. OF CARDS_____	
6. TRANSFER FEE	
7. INCREASE FEE	
8. REPLACEMENT FEE	
9. TOTAL PAID (ADD 1 THRU 8) *Send One Check In This Amount* →	

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Constructive Purchase Price
(72 P.S § 7201(g)(3))

Such rules shall provide for a **constructive** amount of **purchase price** for each such sale or use **which would naturally and fairly be charged in an arms-length transaction** in which the element of common interest between the vendor or purchaser is absent or **if no common interest exists**, any other element causing a distortion of the price or value is likewise absent.

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Constructive Purchase Price
(72 P.S § 7201(g)(3))

…where a taxable sale or purchase at retail **transaction occurs between a parent and a subsidiary, affiliate or controlled corporation of such parent corporation**, there shall be a **rebuttable presumption**, that because of such common interest such **transaction was not at arms-length**.

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DEPARTMENT OF REVENUE

MVUV Program

- Department monitors purchase price of motor vehicles
- Partnership with PennDOT & industry
- Selected transactions are examined

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MVUV Program

PennDOT Referral

- Data based on Black Book values
- Vehicles sold for significantly less than the fair market value.

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MVUV Program

- Verification of purchase price
  - Bill of sale, repair bills, statement from seller
- Payment of Tax
  - Based on fair market value
  - PA -1
  - Assessment issued if tax not paid
- Appeal rights

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MVUV Program

Verification of Purchase Price

A purchaser must verify the purchase price by submitting to the Revenue Department a legible copy of the bill of sale, statement
from the seller, financial agreement or other relevant information that verifies the purchase price.

A *bill of sale* must include:

- sellers name, address and phone number
- purchasers name, address and phone number
- purchase price
- date of sale
- make and model
- vehicle Identification number (VIN)
- verification of sales tax paid if applicable

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MVUV Program

If the purchaser submits a statement from the seller, the statement must include <u>all</u> of the following:

- name, address and phone number of the seller,
- date of the sale,
- purchase price
- **seller's explanation of purchase price**
- make, model and VIN number of the vehicle.
- seller's signature

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MVUV Program

Common Scenarios

✔ Sales to family members
✔ Gifts
✔ Private sales
✔ Business sales to family members

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MVUV Program

Business Sales

Watch for "Affiliation of Interests":

- Employer/Employee
- Owner/Business
- Related Entities

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MVUV Program

§ 31.47. Transfers of registrations which are presumed to be for a purchase price.

The following are examples of transfers of vehicles which are presumed to be for a purchase price and, therefore, are subject to tax:

(1) *Purchase of vehicle intended as a gift or as a raffle prize.*
(2) *Transfer from partner to partnership or from partnership to partner*
(3) *Transfer to or from a corporation.*
(4) *Transfer between parent corporation and wholly owned subsidiary*

REVR 5006 (0014) DOCUMENT 2497

BUREAU OF BUSINESS TRUST FUND TAXES
PO BOX 280320
HARRISBURG PA 17128-0320

pennsylvania
DEPARTMENT OF REVENUE

NOTICE OF TRANSACTIONAL USE TAX DUE

CASE ID	3000
CASE SUB-TYPE	MVUV
REVENUE ID	2245140794
DOCUMENT ID	BU10
MAILDATE	04/27/2015
PURCHASE DATE	2/13/2015
PURCHASE PRICE	28,072.00
VALUE OF ASSET	32,325.00
TAX PREVIOUSLY PAID	1,664.32
CALCULATED TAX DUE	255.18
DESCRIPTION OF ASSETS	2015 Jeep Wrangler Unlimited Sport 4D Utility 4WD - 1C4BJ - Mileage 6

Dear Sir/Madam,

The Pennsylvania Department of Revenue has received information that indicates you may have incurred a use tax liability. Pennsylvania residents or businesses that purchase taxable tangible personal property or services for use in Pennsylvania owe a 6 percent use tax on the purchase price, including shipping costs, if the vendor does not collect sales tax. Use is also defined as taking possession within the Commonwealth.

An additional 1 percent local use tax applies to items used in Allegheny County; 2 percent local tax applies to items purchased or used in Philadelphia.

If you respond within 30 days of the date of this letter, you can avoid penalties. A use tax return and self-addressed envelope are enclosed for your convenience. If you already paid the tax, please send documentation of the purchase price (e.g. bill of sale filing and tax payment) and proof of tax paid. A completed PA-1 use tax return must be submitted to ensure proper processing of your payment.

Failure to respond will result in an assessment of tax, penalty and interest on the purchase price. In certain instances where the department determines that the reported purchase price does not reflect the true value of the item, the assessment will be based on the fair market value of the merchandise, based on industry standards.

If you have any questions, please call 717-214-7287 Fax 717-425-2954. Smartphone users may scan the QR code below for additional information regarding Pennsylvania use tax. Instructions appear on the reverse side of this form.

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Pa Online Messenger Association Meeting

October 2019

www.pacode.com

Title 61 Pa Code § 31.41 – 31.50
Vehicles

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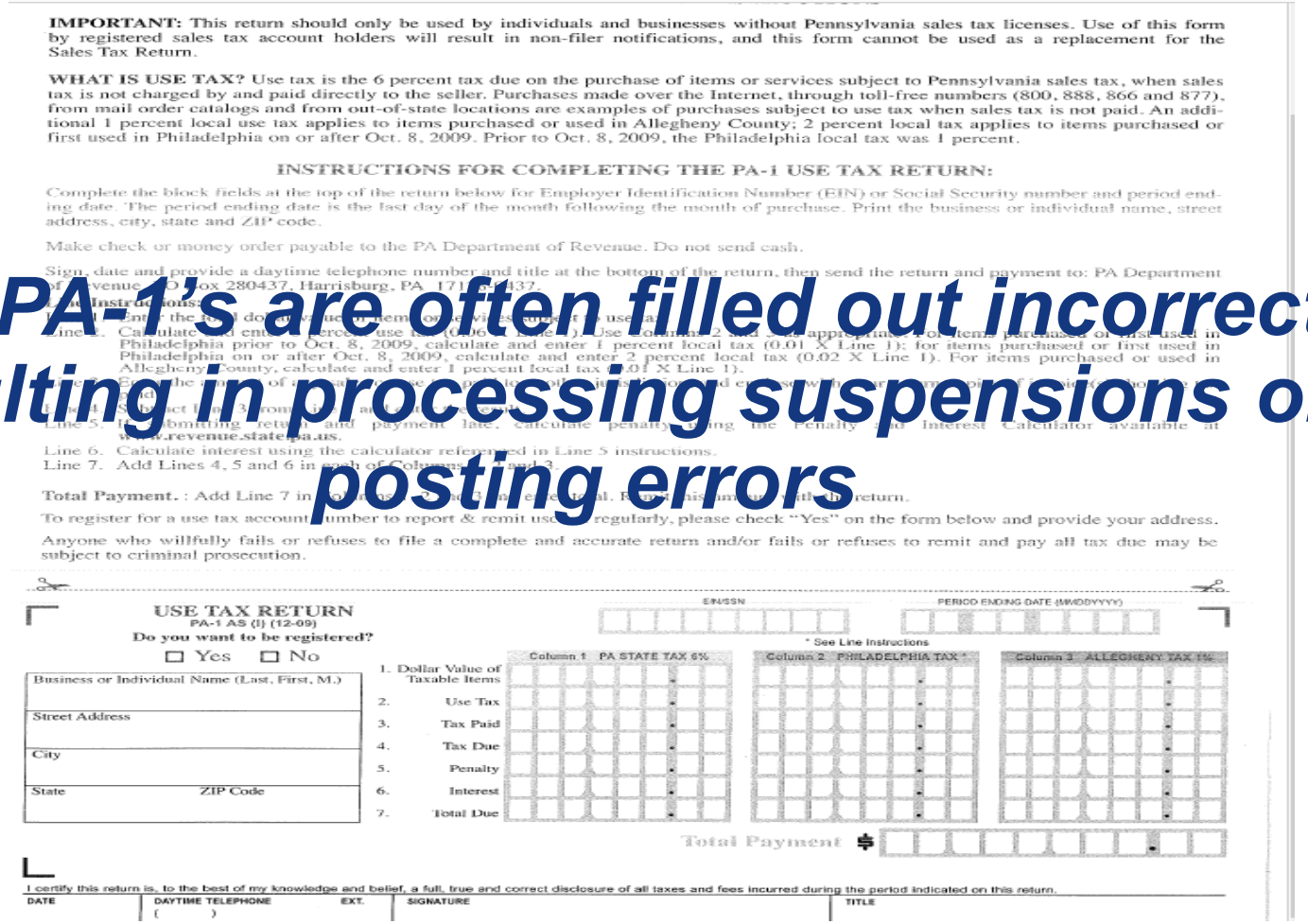
DEPARTMENT OF REVENUE



IMPORTANT: This return should only be used by individuals and businesses without Pennsylvania sales tax licenses. Use of this form by registered sales tax account holders will result in non-filer notifications, and this form cannot be used as a replacement for the Sales Tax Return.

WHAT IS USE TAX? Use tax is the 6 percent tax due on the purchase of items or services subject to Pennsylvania sales tax, when sales tax is not charged by and paid directly to the seller. Purchases made over the Internet, through toll-free numbers (800, 888, 866 and 877), from mail order catalogs and from out-of-state locations are examples of purchases subject to use tax when sales tax is not paid. An additional 1 percent local use tax applies to items purchased or used in Allegheny County; 2 percent local tax applies to items purchased or first used in Philadelphia on or after Oct. 8, 2009. Prior to Oct. 8, 2009, the Philadelphia local tax was 1 percent.

INSTRUCTIONS FOR COMPLETING THE PA-1 USE TAX RETURN:

Complete the block fields at the top of the return below for Employer Identification Number (EIN) or Social Security number and period ending date. The period ending date is the last day of the month following the month of purchase. Print the business or individual name, street address, city, state and ZIP code.

Make check or money order payable to the PA Department of Revenue. Do not send cash.

Sign, date and provide a daytime telephone number and title at the bottom of the return, then send the return and payment to: PA Department of Revenue, PO Box 280437, Harrisburg, PA 17128-0437.

Philadelphia prior to Oct. 8, 2009, calculate and enter 1 percent local tax (0.01 X Line 1); for items purchased or first used in Philadelphia on or after Oct. 8, 2009, calculate and enter 2 percent local tax (0.02 X Line 1). For items purchased or used in Allegheny County, calculate and enter 1 percent local tax (.01 X Line 1).

www.revenue.state.pa.us.

Line 6. Calculate interest using the calculator referenced in Line 5 instructions.
Line 7. Add Lines 4, 5 and 6 in each of Columns 1, 2 and 3.

Total Payment. : Add Line 7 in

To register for a use tax account number to report & remit use tax regularly, please check "Yes" on the form below and provide your address.

Anyone who willfully fails or refuses to file a complete and accurate return and/or fails or refuses to remit and pay all tax due may be subject to criminal prosecution.

USE TAX RETURN
PA-1 AS (I) (12-09)
Do you want to be registered?
☐ Yes ☐ No

EIN/SSN | PERIOD ENDING DATE (MMDDYYYY)

Business or Individual Name (Last, First, M.)
Street Address
City
State ZIP Code

* See Line Instructions

		Column 1 PA STATE TAX 6%	Column 2 PHILADELPHIA TAX *	Column 3 ALLEGHENY TAX 1%
1.	Dollar Value of Taxable Items			
2.	Use Tax			
3.	Tax Paid			
4.	Tax Due			
5.	Penalty			
6.	Interest			
7.	Total Due			

Total Payment $

I certify this return is, to the best of my knowledge and belief, a full, true and correct disclosure of all taxes and fees incurred during the period indicated on this return.

DATE | DAYTIME TELEPHONE ( ) EXT. | SIGNATURE | TITLE

Paper PA-1's are often filled out incorrectly, resulting in processing suspensions or posting errors

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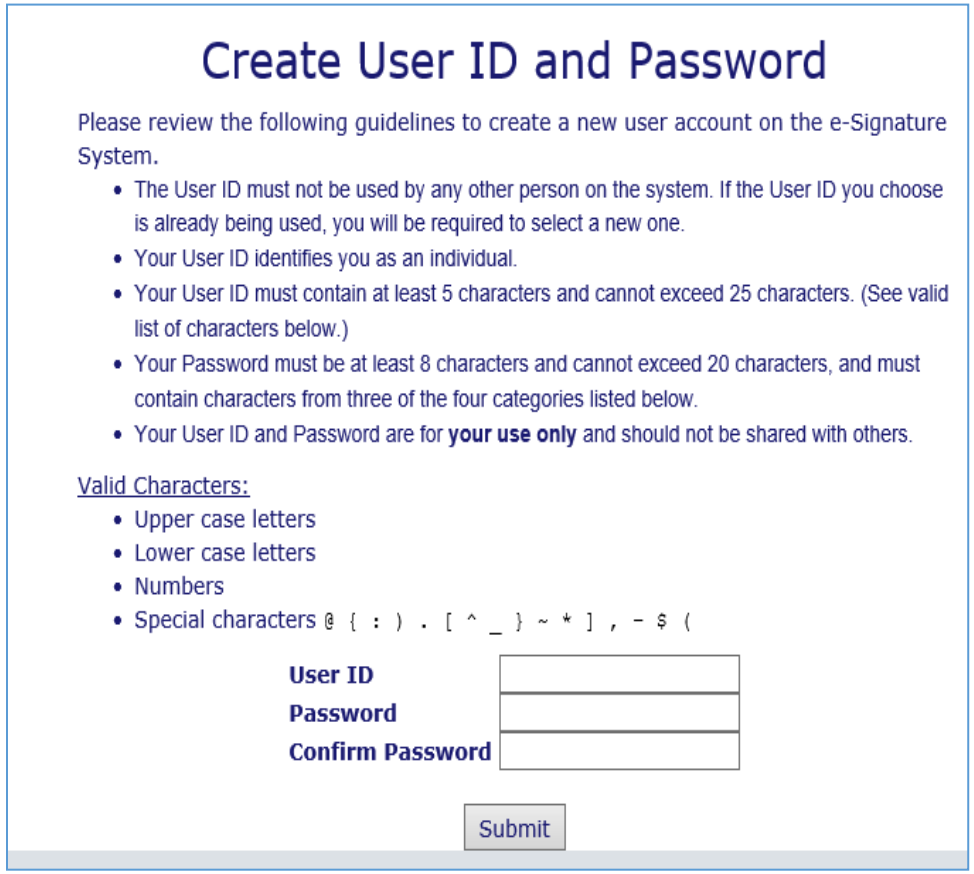

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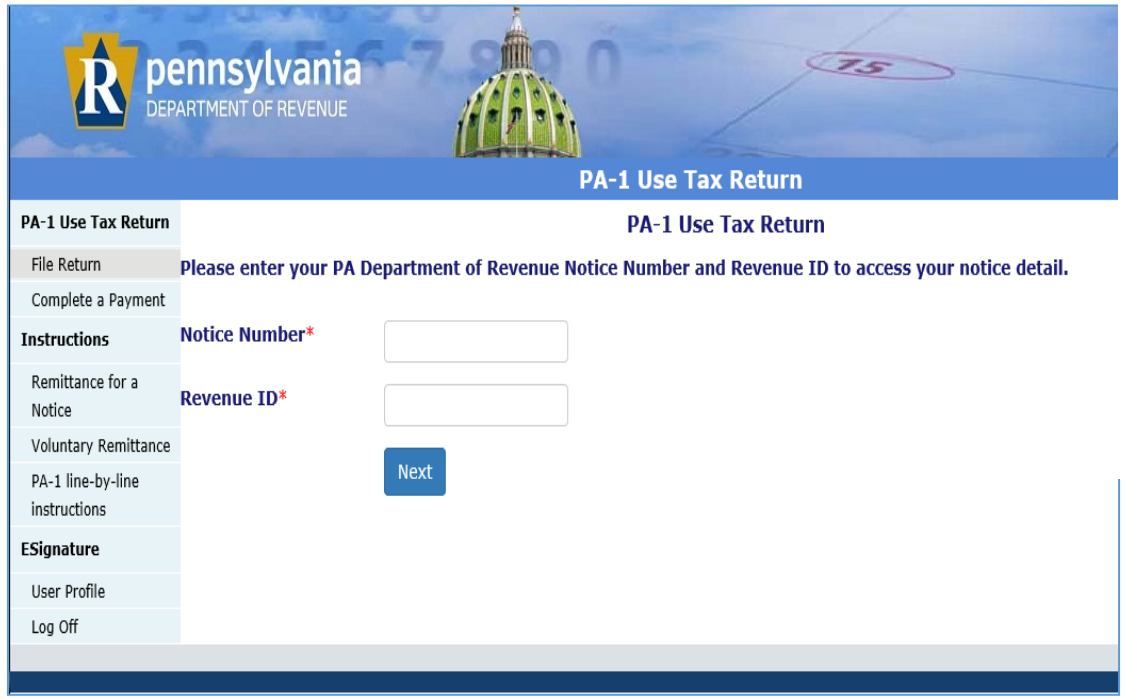

REV-IS 50006 (04-18) DOCEXEC ZR37

BUREAU OF ENFORCEMENT PLANNING ANALYSIS AND DISCOVERY
PO BOX 281221
HARRISBURG PA 17128-1221

pennsylvania
DEPARTMENT OF REVENUE

NOTICE OF TRANSACTIONAL USE TAX DUE

CASE ID:.....300000XXXXXX
CASE SUB-TYPE:.....MVUV
REVENUE ID:..... 245XXXXXX
NOTICE NUMBER:..... BU100XXXXXXX
MAILDATE:..... 06/03/2019
PURCHASE DATE:..... 4/29/2019
PURCHASE PRICE:..... 1,000.00
VALUE OF ASSET:..... 7,150.00
TAX PREVIOUSLY PAID:.....60.00
CALCULATED TAX DUE:.....369.00
DESCRIPTION OF ASSETS:.....Year Make Model – VIN – Mileage: ##,###

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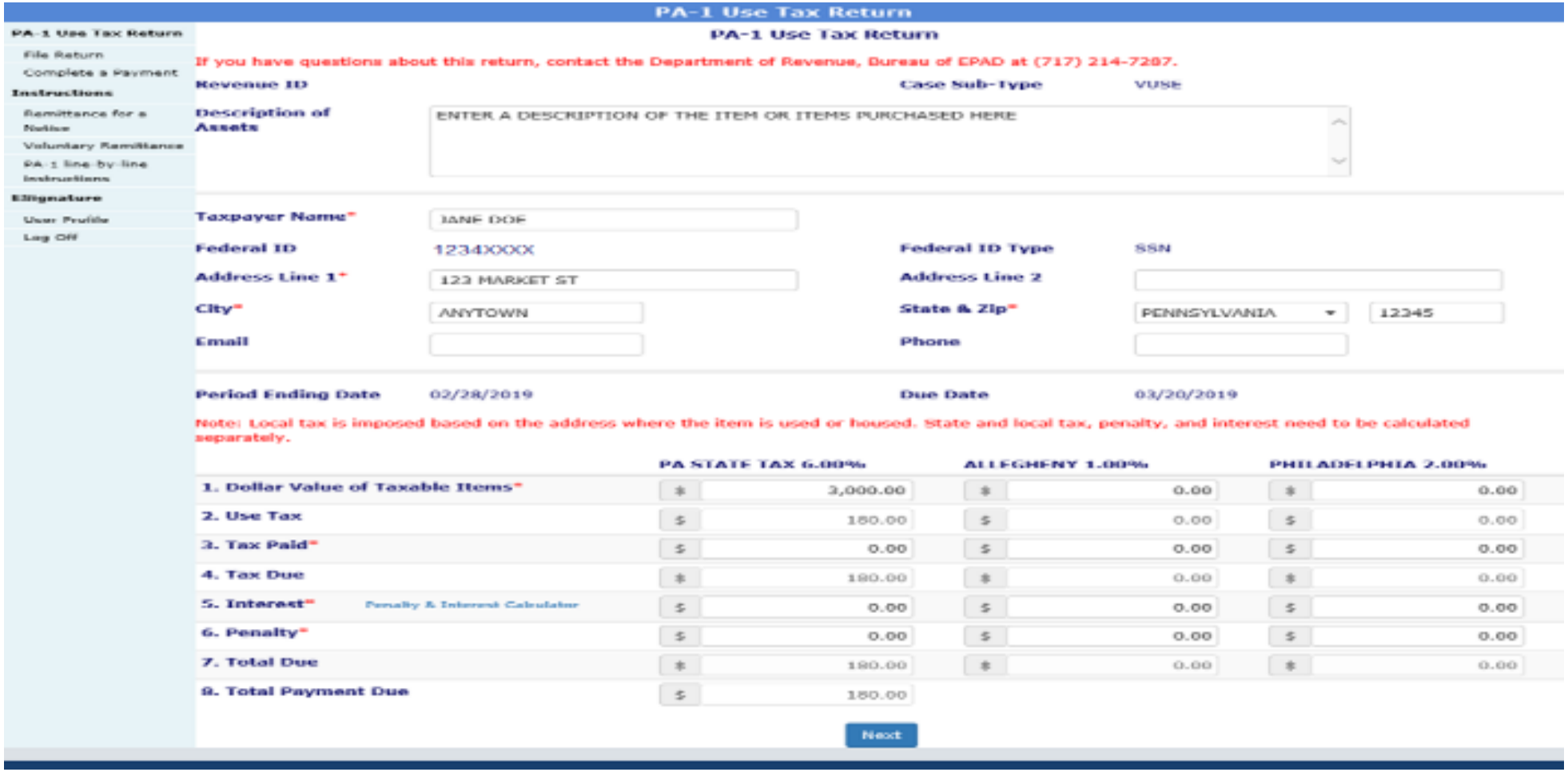

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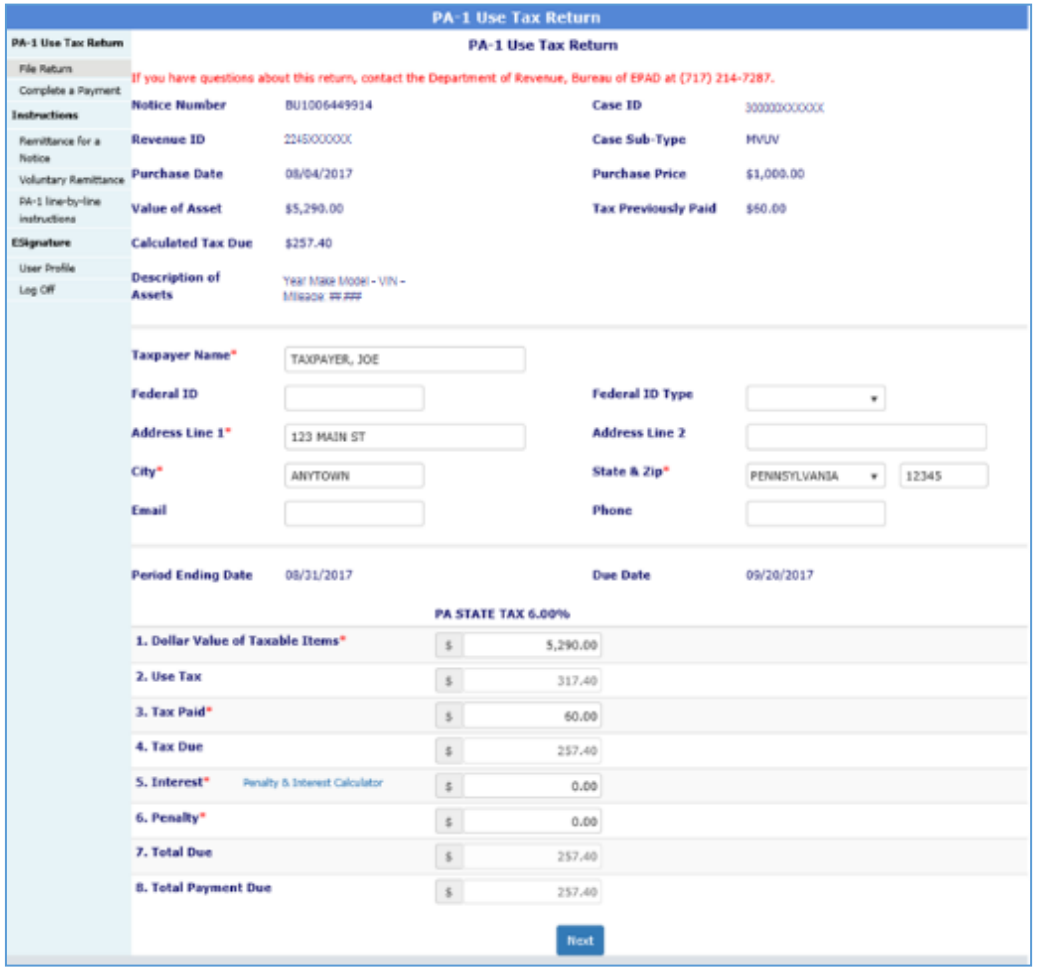

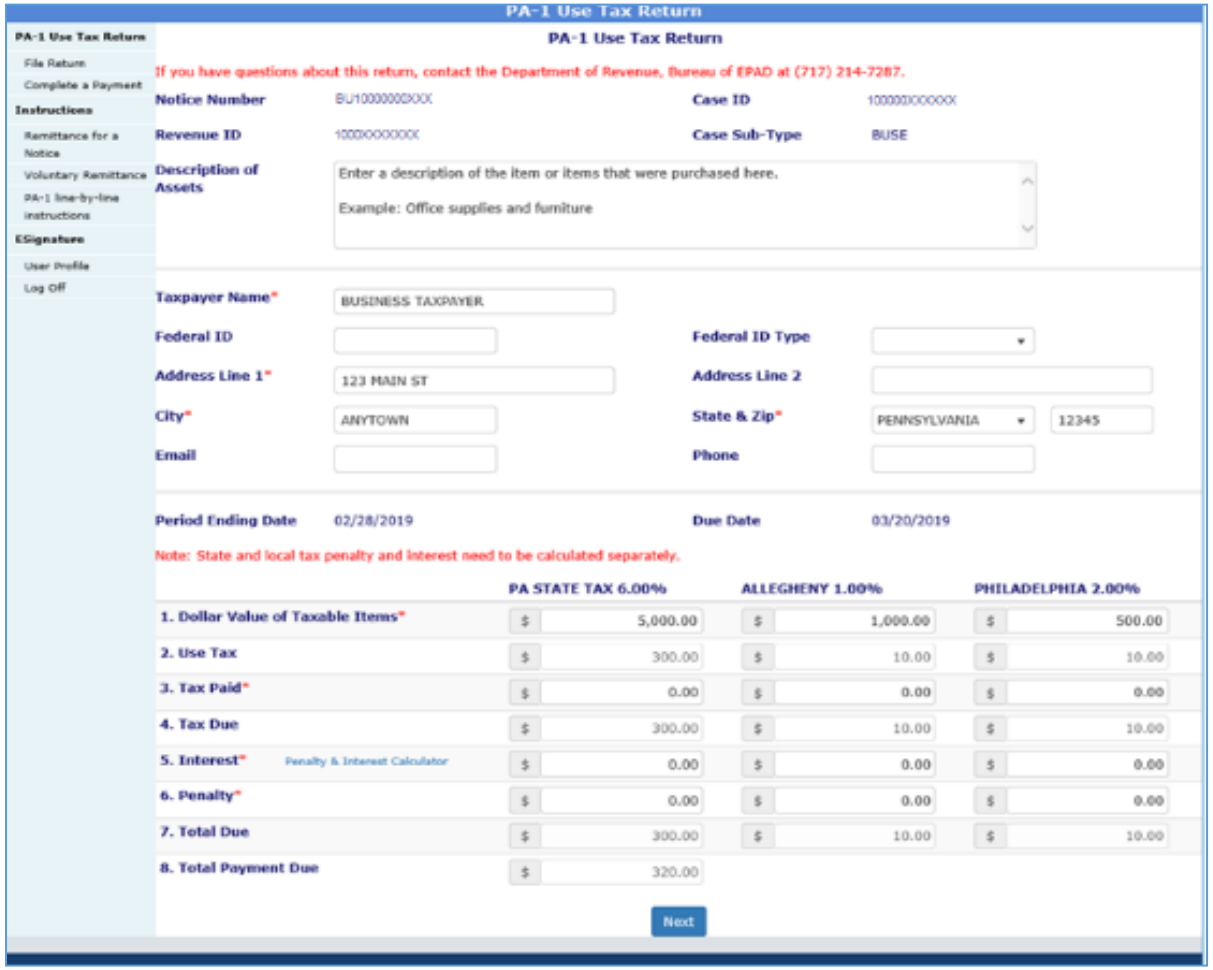

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Identification – Voluntary Remittance

Users need to answer a few simple questions in order to file online

- Do you have a sales tax account?
  - Yes – proceed to e-TIDES to file use tax on line 6 of your sales, use and hotel occupancy return form PA-3
  - No – proceed to the next question
- Do you have a 10-digit Revenue ID?
  - Yes – enter your Revenue ID in the box provided
  - No – proceed to enter your SSN or FEIN

*** You must provide either a Revenue ID or SSN/FEIN to continue ***

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Reception

The goal is to have 24/7 customer service options

- 20% of all use tax returns filed online
- 28% filed after 5pm
- 17% filed on weekends or holidays

pennsylvania
DEPARTMENT OF REVENUE

Questions about the Motor Vehicle Understated Value program or general vehicle sales tax concerns?

Enforcement Planning, Analysis
& Discovery Telephone Unit

717-214-7287
Monday – Friday 8am – 5pm

pennsylvania
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Pa Online Messenger Association Meeting
October 2019

Charity Nolt
Bureau of EPAD
717.346.1789
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