
THIRD READING

Bill No: SB 791
Author: Cortese (D), et al.
Amended: 5/6/25
Vote: 21

SENATE TRANSPORTATION COMMITTEE: 12-1, 4/22/25
AYES: Cortese, Strickland, Archuleta, Arreguín, Cervantes, Dahle, Gonzalez,
Grayson, Limón, Richardson, Umberg, Valladares
NOES: Blakespear
NO VOTE RECORDED: Menjivar, Seyarto

SUBJECT: Vehicle dealers: document processing charge

SOURCE: California New Car Dealers Association

DIGEST: This bill increases the document processing fee a dealer can charge when a buyer/lessee purchases a car.

ANALYSIS:

Existing law authorizes a dealer that has a contractual agreement with the Department of Motor Vehicles (DMV) to be a private industry partner to set the document processing charge at up to \$85, and authorizes all other dealers to set the document processing charge at up to \$70.

This bill:

- 1) Authorizes a vehicle dealer to charge customers an increased document processing fee as long as it does not exceed 1% of the total price of the vehicle and caps the fee at \$500.
- 2) Exempts the sale of vehicles to the State of California from the increased charge authorization.

Comments

- 1) *Purpose of the bill.* According to the author, “Senate Bill 791 would, beginning in 2026, modernize 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. Without dealer-based document processing services, customers would have to go through several significant steps on their own to process a complete vehicle purchase or lease transaction, including making trips to DMV to complete multiple steps, going to at least one bank to shop around for rates, selling their trade-in vehicle on their own via third-party sites with no consumer protections available. SB 791 helps cover the real cost of services like DMV processing, fraud protection, and loan paperwork—while ensuring transparency and consumer protections remain in place.”
- 2) *What is a document processing fee?* When a buyer/lessee purchases a car, dealerships are required to prepare, file, transmit, and store a variety of required forms. DMV’s electronic vehicle registration program has outsourced some of the vehicle licensing and titling functions to willing motor vehicle dealers. Dealerships are allowed to charge car buyers a documentation processing fee to cover the cost of preparing and filing those documents. Willing dealers can participate in the Business Partner Automation (BPA) program, meaning that the dealer has a contractual agreement with DMV to be a private industry partner and these dealers communicate electronically with DMV to register the vehicles and then mail the license plates, registration cards, and tags to the buyer. Those dealers participating in the BPA program may charge buyers up to \$85 per transaction. Non-participating dealers may only charge a \$70 document processing fee per transaction. Most dealers in the state participate in the BPA program. This fee is not a governmental fee and is not required or collected by DMV.

The document processing charge does not need to be included in the advertised price of the vehicle. It is one of the fees that can be added to total price after a price is agreed to between the dealer and customer, including charges for sales tax, vehicle registration fees, the California tire fee, finance charges, and an electronic filing charge, among others. Across the country, the fee ranges from state to state, from \$85 to \$844. Depending on the state, there may be no limit on the fee, the fee may be capped, the dealer may negotiate the fee with the buyer, or the dealer may remove the fee.

- 3) *What change would consumers see?* SB 791 proposes to increase the document processing charge from \$85 currently to 1% of the total price of the vehicle, capped at \$500. According to Kelley Blue Book, the average used car was listed for \$25,565 in December 2024. 1% of that price would be a \$255.65 document processing fee. Kelley Blue Book also reported that the average price of a new car is \$49,740—which would equate to a \$497.40 document processing fee under this bill. This means that the average new car buyer would either hit or nearly hit the \$500 cap in this bill.

Typically this fee is listed as a “Document Processing Charge (not a governmental fee)” on an itemized list of charges included in final price of the vehicle. However, the fee is often not advertised or discussed when the dealer and the potential buyer are negotiating the price of the vehicle, but rather comes at the end of the process. Thus, a \$500 fee could be an unwelcome surprise for the buyer.

- 4) *Cost recovery?* A 2019 *JDPower* study concluded that the average cost incurred by the dealerships in processing the documents is \$447 per transaction. This is a \$362 difference from the \$85 dollar fee dealers currently charge buyers. 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 \$234 per transaction if the fee excluded vehicle sales and vehicle sales management payroll expenses.

The current \$85 fee, which is set in statute, is the lowest in the country. The California New Car Dealers Association, the sponsor of SB 791, contends that the \$85 fee is insufficient to adequately cover the administrative and technological costs needed to complete the processing. However, nothing prevents these costs from being recovered from customers in other ways. California car dealer sales averaged over \$112 million per dealership in 2024, according to the National Automobile Dealers Association.¹ Nationwide, total revenue per dealer store averaged \$83.9 million.² If dealers aren’t recouping their document processing costs in the \$85 fee, that shortfall may be able to be made up elsewhere.

¹ <https://www.nada.org/media/4695/download?inline>

² <https://thepresidiogroup.com/wp-content/uploads/2025/01/Presidio-NCM-Average-Dealership-Performance-Benchmark-Q4-2024-2.pdf>

- 5) *A reasonable fee.* The cap on document preparation fees has been raised a number of times over the last 35 years. In 1987, it was raised from \$20 to \$25. Four years later, it was increased to \$35. In 1996, a limit of \$45 was established. In 2006, the fee for new car sales was increased to \$55, although for vehicle leases, it remained at \$45. In 2011, the cap was raised to \$75. Most recently, AB 516 (Mullin, Chapter 90, Statutes of 2016) raised the fee to \$85 commencing January 1, 2019.

An important question is whether or not it is reasonable to charge the consumer with all of the fees stipulated by the JDPower study. Is it reasonable to charge the buyer a fee for supplies and forms, payroll, or third party services? An alternative method would be for DMV to determine the actual costs incurred by the dealers to process the documents. Another option is to eliminate the fee statute, but authorize dealerships to assess a charge for document processing and require it to be disclosed to the consumer earlier in the process, before the price of the vehicle is negotiated. Lastly, California could align with other states that make the document processing charge negotiable.

Prior/Related Legislation

SB 1249 (Archuleta, 2022) – Would have increased the document processing fee a dealer can charge when a buyer/lessee purchases a car from \$85 to \$175 starting on January 1, 2024. The bill died in the Assembly Transportation Committee.

AB 516 (Mullin, Chapter 90, Statutes of 2016) – Authorized dealers, beginning January 1, 2019, to raise their document processing fees by \$5, from \$80 to \$85 for new cars and from \$65 to \$70 for used cars.

AB 605 (Gatto, Chapter 695, Statutes of 2015) – Limited the charges that can be included in the electronic filing fee paid by automobile purchasers.

FISCAL EFFECT: Appropriation: No Fiscal Com.: No Local: No

SUPPORT: (Verified 6/2/25)

California New Car Dealers Association (source)
Cmnda-california Motorcycle Dealers Association
Enterprise Mobility
Greater Los Angeles New Car Dealers Association
New Car Dealer Association San Diego County
Orange County Automobile Dealers Association

OPPOSITION: (Verified 6/2/25)

California Low-income Consumer Coalition
Consumer Attorneys of California
Consumer Federation of California
Consumer Reports
Consumers for Auto Reliability & Safety
Housing & Economic Right Advocates
Public Counsel

ARGUMENTS IN SUPPORT:

Writing in support, the California New Car Dealers Association states, “The DPC was originally capped in statute in the 1980s, and current law allows California dealers to recover a statutory maximum of \$85 for all of the services and document processing they provide for each transaction. When examined in a historical context, California’s DPC of \$85 has not kept even close to pace with inflation or the increasing costs that dealers face in complying with ever-increasing state law and regulations. California’s DPC is the lowest in the nation—less than 1/5 of the national average (\$433)—despite the fact that California’s car dealerships are subject to the most stringent document processing and compliance requirements in the country with up to 113 state-mandated obligations they must perform during the car-buying process on behalf of the state and consumer.”

ARGUMENTS IN OPPOSITION:

Writing in opposition, Consumers for Auto Reliability and Safety (CARS) states, “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. 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.”

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