

AMENDED IN ASSEMBLY JULY 14, 2025

AMENDED IN ASSEMBLY JUNE 26, 2025

AMENDED IN ASSEMBLY JUNE 13, 2025

AMENDED IN SENATE MAY 23, 2025

AMENDED IN SENATE MAY 1, 2025

AMENDED IN SENATE APRIL 10, 2025

SENATE BILL

No. 766

Introduced by Senator Allen
(Coauthor: Senator Stern)
(Coauthor: Assembly Member Kalra)

February 21, 2025

An act to add Title 1.5B (commencing with Section 1784.20) to Part 4 of Division 3 of the Civil Code, to ~~amend~~ *amend, repeal, and add* Section 6012.3 of the Revenue and Taxation Code, and to *amend and* repeal Section 11713.21 of, and to ~~repeal~~ *amend, repeal, and add* Section 11709.2 of, the Vehicle Code, relating to civil law.

LEGISLATIVE COUNSEL'S DIGEST

SB 766, as amended, Allen. California Combating Auto Retail Scams (CARS) Act.

Existing law governs motor vehicle conditional sale contracts, as defined, and requires a seller, prior to the execution of a conditional sale contract, to make certain disclosures to the buyer, including a description and the price of each item sold if the contract includes a charge for the item, and the sum of all of those charges.

Existing law prohibits a dealer from selling specified used vehicles at retail to an individual for personal, family, or household use without offering the buyer a contract cancellation option agreement that allows the buyer to return the vehicle without cause. Existing law sets forth certain requirements for the contract cancellation option agreement, including prescribing the purchase price for the contract cancellation option and requiring specified disclosures.

This bill would enact the California Combating Auto Retail Scams (CARS) Act. *The bill would define the terms vehicle and used vehicle for these purposes.* The bill would make it a violation of the act for a dealer to make any misrepresentation regarding material information about specified matters relating to the vehicle sale, including the costs or terms of purchasing, financing, or leasing a vehicle, the availability of vehicles at a total price communicated by the dealer, and the remedy available if a dealer fails to sell or lease a vehicle at the total price, as defined. The bill would also make it a violation of the act for a dealer to fail to make certain disclosures clear and conspicuous, including specified information relating to the total price and any add-on products or services, and would exempt from that provision a used vehicle sold at an auction, as defined. The bill would make it a violation of the act for a dealer, in connection with the sale or financing of a vehicle, to charge for certain items, including an add-on product or service if the vehicle purchaser or lessee would not benefit from the add-on product or service. The bill would repeal the above-described contract cancellation option agreement requirement and would instead prohibit a dealer from selling or leasing specified used vehicles without providing the purchaser or lessee a 3-business-day right to cancel the purchase or lease, as provided. The bill would require a dealer to create and retain, for a period of 2 years from the date the record is created, all records necessary to demonstrate compliance with the act, including specified records.

The bill would make its provisions operative on October 1, 2026.

The bill would make related conforming changes.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Title 1.5B (commencing with Section 1784.20)
- 2 is added to Part 4 of Division 3 of the Civil Code, to read:

1 TITLE 1.5B. CALIFORNIA COMBATING AUTO RETAIL
2 SCAMS (CARS) ACT
3

4 CHAPTER 1. GENERAL PROVISIONS
5

6 1784.20. This title shall be known, and may be cited, as the
7 California Combating Auto Retail Scams (CARS) Act.

8 1784.21. Any waiver by a consumer of the provisions of this
9 title is contrary to public policy and is unenforceable and void.

10 1784.22. The provisions of this title are not exclusive. The
11 remedies provided in this title for a violation of this title or for
12 conduct proscribed by this title shall be in addition to any other
13 remedies available under other law. This title does not limit or
14 alter the remedies and liabilities set forth in other laws that may
15 apply.

16 1784.23. If any provision of this title or the application of this
17 title to any person or circumstance is held to be unconstitutional
18 or otherwise deemed to be invalid, the remainder of the title and
19 the application of the provision to other persons or circumstances
20 shall not be affected.

21 1784.28. *This title shall become operative on October 1, 2026.*
22

23 CHAPTER 2. CONSTRUCTION AND DEFINITIONS
24

25 1784.30. This title shall be liberally construed and applied to
26 promote its underlying purposes, which are to protect purchasers
27 and lessees of new or used motor vehicles against unfair and
28 deceptive business practices and to provide efficient and
29 economical procedures to secure that protection.

30 1784.31. The following definitions apply for purposes of this
31 ~~chapter~~ title:

32 (a) “Add-on” or “add-on product or service” means any product
33 or service not provided to the purchaser or lessee or installed on
34 the vehicle by the vehicle manufacturer and for which the dealer,
35 directly or indirectly, charges a purchaser or lessee in connection
36 with a vehicle sale, lease, or financing transaction.

37 (b) “Dealer” means a licensed California motor vehicle dealer
38 or a dealer as defined in Section 285 of the Vehicle Code.

39 (c) “GAP agreement” means an agreement for either of the
40 following:

(1) To indemnify a vehicle purchaser or lessee for the difference between the actual cash value of the vehicle in the event of an unrecovered theft or total loss and the amount owed on the vehicle pursuant to the terms of a loan, lease agreement, or installment sales contract used to purchase or lease the vehicle.

(2) To waive the unpaid difference between money received from the purchaser's or lessee's vehicle insurer and some or all of the amount owed on the vehicle at the time of the unrecovered theft or total loss, including products or services titled "guaranteed automobile protection agreement," "guaranteed asset protection agreement," "GAP insurance," or "GAP waiver."

(d) "Material" or "materially" means likely to affect a person's choice of, or conduct regarding, goods or services.

(e) (1) "Motor vehicle" or "vehicle" means a motor vehicle as defined by Section 415 of the Vehicle Code.

(2) *Notwithstanding paragraph (1), "motor vehicle" or "vehicle" does not include any of the following:*

(A) *Vehicles that are sold wholesale. For purposes of this subparagraph, "wholesale" means sale of a vehicle that does not constitute a retail sale, as defined in Section 6007 of the Revenue and Taxation Code.*

(B) *Vehicles that are not required to be registered under the Vehicle Code.*

(C) *Fleet sale transactions. For purposes of this subparagraph, "fleet sale" means the sale of more than one vehicle as part of a single transaction for use primarily for business or commercial purposes.*

(D) *Sales to commercial purchasers. For the purposes of this subparagraph, "commercial purchasers" means a person that purchases five or more vehicles from the dealer per year for use primarily for business or commercial purposes.*

(E) *A vehicle that has a gross vehicle weight rating of 10,000 pounds or more.*

(f) "Service contract" includes products that provide consumers with some type of benefit or payment for repair, maintenance, or service on the vehicle purchased or leased.

(g) (1) "Total price" means the total sale price of a vehicle, excluding the taxes, fees, and charges described in subdivision (e) of Section 11713.1 of the Vehicle Code.

(2) “Total price” includes any dealer price adjustment and the cost of any item installed on the vehicle at the time of the advertisement or communication.

(3) “Total price” does not include any deduction for a rebate.

(h) (1) “Used motor vehicle” or “used vehicle” means a ~~used vehicle~~ vehicle, as defined by subdivision (e), that also satisfies the definition of a “used vehicle” as defined in Section 665 of the Vehicle Code.

(2) “Used motor vehicle” does not include a motorcycle, as defined in Section 400 of the Vehicle Code.

(i) “Auction” means a sale transaction conducted by means of oral, written, or electronic exchanges whereby offers are solicited from one or more potential purchasers in the form of bids in an effort to advance the amount of the bids to obtain the highest and most favorable offer.

CHAPTER 3. PROHIBITED CONDUCT AND CONSUMER RIGHTS

1784.40. It is a violation of this title for any dealer to make any misrepresentation regarding material information about any of the following:

(a) The costs or terms of purchasing, financing, or leasing a vehicle.

(b) Any costs, limitation, benefit, or any other aspect of an add-on product or service.

~~(c) Whether the terms are, or transaction is, for a purchase or a lease.~~ final contract is for the lease or sale of a motor vehicle. This subdivision shall not be construed to restrict the ability of a dealer to present multiple financing and lease payment options to the customer prior to the sale or lease of a motor vehicle.

(d) The availability of vehicles at a total price communicated by the dealer. A dealer is not in violation of this subdivision if the advertisement in question is withdrawn following the sale of the vehicle in compliance with subdivision (c) of Section 11713 of the Vehicle Code.

(e) Whether any consumer has been or will be preapproved or guaranteed for any product, service, or term.

(f) Information on or about a consumer’s application for financing.

1 ~~(g) The time at which the transaction is final or binding on all~~
2 ~~parties.~~

3 ~~(h)~~

4 (g) Whether the dealer will keep cash downpayments or trade-in
5 vehicles, charge fees, or initiate legal process, or any action if a
6 transaction is not finalized or if the consumer does not go forward
7 with the transaction.

8 ~~(i)~~

9 (h) Whether, and if so, when, a dealer will pay off some or all
10 of the financing or a lease on a consumer's trade-in vehicle, and
11 what happens if a dealer fails to pay off the trade-in vehicle within
12 the time period required by Section 11709.4 of the Vehicle Code.

13 ~~(j)~~

14 (i) The remedy available if a dealer fails to sell or lease a vehicle
15 at the total price.

16 ~~(k)~~

17 (j) Whether the dealer or any of the dealer's personnel or
18 products or services is or was affiliated with, endorsed or approved
19 by, or otherwise associated with the United States government or
20 any federal, state, or local governmental agency, unit, or
21 department, including the United States Department of Defense
22 or its military departments.

23 ~~(l)~~

24 (k) Whether, or under what circumstances, a vehicle may be
25 repossessed.

26 ~~(m)~~

27 (l) Whether a vehicle can be moved outside of California or
28 outside of the United States.

29 ~~(n)~~

30 (m) Any of the required disclosures identified in this title.

31 1784.41. It is a violation of this title for any dealer to fail to
32 make any disclosure required by this section clearly and
33 conspicuously.

34 (a) In connection with the sale or financing of a vehicle, a
35 vehicle's total price shall be disclosed as follows:

36 (1) In any advertisement that references a specific vehicle for
37 sale.

38 (2) In any advertisement that represents any monetary amount
39 or financing term for a specific vehicle.

1 (3) In the first written communication with a consumer that
2 includes a reference regarding a specific vehicle for sale, or any
3 monetary amount or financing term for any vehicle. With respect
4 to the first written communication, both of the following apply:

5 (A) The total price for the vehicle shall be disclosed at least
6 once in the dealer's first response regarding that specific vehicle
7 to the consumer.

8 (B) A dealer shall retain a copy of the communication identified
9 by this paragraph for at least two years and shall provide a copy
10 of the communication to the customer upon written request.

11 (b) When making any written representation during the
12 negotiation to purchase or lease a specific vehicle about an add-on
13 product or service, the dealer shall disclose at least once that the
14 add-on is not required and the consumer can purchase or lease the
15 vehicle without the add-on. This disclosure shall be in writing and
16 shall be clear and conspicuous. If the transaction is negotiated
17 primarily in a language identified by subdivision (b) of Section
18 1632, the disclosure required by this paragraph shall also be
19 provided in that language.

20 (c) (1) When making any written representation during the
21 negotiation to purchase or lease a specific vehicle about a monthly
22 payment for any vehicle, the dealer shall disclose at least once,
23 clearly and conspicuously and in writing, the total amount the
24 consumer will pay to purchase or lease the vehicle at that monthly
25 payment after making all payments as scheduled.

26 (2) If the total amount disclosed assumes the consumer will
27 provide consideration, including in the form of a cash
28 downpayment or trade-in valuation, the dealer shall disclose the
29 amount of consideration to be provided by the consumer. This
30 disclosure shall be in writing and shall be clear and conspicuous.
31 If the transaction is negotiated primarily in a language identified
32 by subdivision (b) of Section 1632, the disclosure required by this
33 paragraph shall also be provided in that language.

34 (d) If the dealer makes any written comparison between payment
35 options during the negotiation to purchase or lease a specific
36 vehicle that includes discussion of a lower monthly payment, the
37 dealer shall disclose that the lower monthly payment will increase
38 the total amount the consumer will pay to purchase or lease the
39 vehicle, if true. Use of an internet-based tool that allows consumers

1 to adjust financing parameters shall not constitute a violation of
2 this section.

3 (e) The disclosures required by subdivisions (b), (c), and (d)
4 may be incorporated into a document that includes the written
5 disclosures required by Section 2982.2.

6 (f) Subdivision (a) shall not be construed to modify vehicle
7 advertising requirements in Section 11713.1 or Section 11713.16
8 of the Vehicle Code. This includes, but is not limited to, the
9 advertisement or communication of rebates and incentives that are
10 disclosed separately from a vehicle's total price.

11 (g) This section shall not apply to a used vehicle sold at an
12 auction.

13 1784.42. It is a violation of this title for any dealer, in
14 connection with the sale or financing of vehicles, to charge for any
15 of the following.

16 (a) A dealer may not charge for an add-on product or service if
17 the vehicle purchaser or lessee would not benefit from the add-on
18 product or service, including, as applicable, any of the following:

19 (1) Nitrogen-filled tire-related products or services that contain
20 less than 95-percent nitrogen purity.

21 (2) Products or services that do not provide coverage for the
22 vehicle, the consumer, or the transaction.

23 (3) A GAP agreement that is not in compliance with Section
24 2982, 2982.2, or 2982.12.

25 (4) A service contract if the service contract is void due to
26 preexisting conditions, including prior damage from a crash or
27 flood or preexisting mechanical conditions.

28 (5) Oil changes for electric vehicles.

29 (6) Catalytic converter markings for a vehicle that does not have
30 a catalytic converter.

31 (7) Surface protection product that renders the manufacturer's
32 warranty for the paint job void.

33 (b) A dealer shall pay the person or entity who is supposed to
34 provide the benefit of the add-on within 10 days of the date when
35 the car buyer or lessee signs the purchase or lease, unless the dealer
36 has an agreement with the person or entity that provides for
37 payment at a later date and the buyer's or lessee's coverage is not
38 impacted by the later payment.

39 (c) This section does not prohibit a dealer from charging for an
40 add-on product or service, such as a service contract, if the add-on

1 product or service is selected by, and would benefit, the vehicle
2 purchaser or lessee, even if the vehicle purchaser or lessee
3 ultimately does not choose to use the add-on product or service,
4 and even if the vehicle purchaser or lessee does not use the add-on
5 product or service because a coverage event does not occur.

6 1784.43. (a) A dealer shall not sell or lease a used vehicle at
7 retail at a price equal to or less than forty-eight thousand dollars
8 (\$48,000), as adjusted pursuant to subdivision (f), to an entity or
9 individual without providing the purchaser or lessee with a
10 three-business-day right to cancel the purchase or lease.

11 (b) To comply with subdivision (a), and notwithstanding Section
12 2981.9 of the Civil Code, a dealer shall provide the purchaser or
13 lessee a copy of a disclosure titled “3-Business-Day Right to Cancel
14 Used Car Purchase or Lease” on a separate document that shall
15 set forth this right clearly and conspicuously and that shall contain
16 all of the following:

17 (1) The name of the seller and the purchaser or lessee.

18 (2) A description and the vehicle identification number of the
19 vehicle purchased.

20 (3) A statement specifying the time within which the buyer shall
21 exercise the right to cancel the purchase under the contract
22 cancellation option and return the vehicle to the dealer. The dealer
23 shall not specify a time that is earlier than the dealer’s close of
24 business on the third business day following the day on which the
25 purchase or lease agreement was signed, and the vehicle was
26 originally delivered to the purchaser or lessee by the dealer.

27 (4) A statement that clearly and conspicuously discloses that
28 the dealer cannot charge the purchaser or lessee for the right to
29 cancel the purchase or lease.

30 (5) A statement that clearly and conspicuously discloses that
31 the dealer may charge the purchaser or lessee a restocking fee only
32 if the purchaser or lessee exercises the right to cancel and that the
33 fee will be determined by multiplying the cash price of the vehicle
34 on the purchase contract or the agreed-upon value for the vehicle
35 on the lease agreement by the number of miles the vehicle was
36 driven since the purchase or lease and divide that number by
37 150,000. In addition to any restocking fee, a dealer may charge a
38 daily use fee of not more than sixty dollars (\$60) for each day that
39 the vehicle was in the customer’s possession.

1 (6) A statement that clearly and conspicuously discloses that
2 the purchaser or lessee cannot exercise the option if the vehicle
3 has been driven more than 400 miles.

4 (7) A statement that clearly and conspicuously discloses that
5 the dealer can charge the purchaser or lessee for damage to the
6 vehicle beyond reasonable wear and tear, the dealer will have the
7 burden of proving the damage is beyond reasonable wear and tear,
8 and the dealer cannot withhold any portion of the purchaser's or
9 lessee's downpayment, or their trade-in vehicle to pay for or to
10 get the purchaser or lessee to pay what the dealer claims is damage
11 beyond reasonable wear and tear.

12 (8) A statement that clearly and conspicuously discloses that
13 the dealer cannot prevent the customer from exercising the right
14 to cancel because they do not have the money to pay for the
15 restocking fee or for damage the dealer claims is beyond reasonable
16 wear and tear.

17 (9) A statement that clearly and conspicuously discloses that if
18 the dealer has sold the purchaser's or lessee's trade-in vehicle, the
19 dealer shall pay the purchaser or lessee the greater amount of the
20 agreed-upon value of the trade-in vehicle on the purchase or lease
21 agreement, the fair market value of the vehicle at the time when
22 it was traded in, or the amount at which the dealer sold the trade-in
23 vehicle.

24 (10) A statement that clearly and conspicuously discloses that
25 if the dealer represents to the purchaser or lessee that it sold the
26 trade-in vehicle, it must provide the purchaser or lessee a copy of
27 the document showing the sale of the trade-in vehicle. The dealer
28 shall redact the personal information of the person or entity to
29 whom the trade-in vehicle was sold.

30 (c) It is a violation of this title for any dealer, in connection with
31 a purchaser or lessee exercising the right to cancel, to do any of
32 the following:

33 (1) To do or say anything to impede a purchaser or lessee from
34 exercising the right to cancel the purchase or lease of a vehicle as
35 provided in this title.

36 (2) To overcharge the purchaser or lessee for the restocking fee.

37 (3) To withhold the purchaser's or lessee's downpayment or
38 trade-in vehicle after the right to cancel has been exercised.

39 (4) To fail to timely refund the purchaser's or lessee's
40 downpayment after the right to cancel has been exercised.

1 (5) To fail to refund the amount owed for the purchaser's or
2 lessee's trade-in vehicle if the trade-in vehicle has been sold.

3 (6) To fail to provide the purchaser or lessee the receipt or
4 contract for the sale of the purchaser's or lessee's trade-in vehicle.

5 (7) To claim damage to the vehicle in excess of reasonable wear
6 and tear without reasonable basis.

7 (8) To claim the person authorized to return the purchaser's or
8 lessee's downpayment or trade-in vehicle is not available.

9 (d) The dealer will clearly and conspicuously disclose on the
10 first page of the purchase or lease agreement the following:

11
12 "CALIFORNIA DOES NOT HAVE A COOLING-OFF
13 PERIOD FOR NEW VEHICLES. HOWEVER, IF YOU
14 PURCHASED OR LEASED A USED VEHICLE, YOU HAVE
15 3 BUSINESS DAYS TO CANCEL THIS CONTRACT FOR ANY
16 REASON.

17 You have up to 3 business days to return the vehicle to the dealer
18 and cancel this contract and obtain a refund. Please review the
19 disclosure, which the dealer is required by law to provide, for the
20 details about this right and how to exercise it."

21
22 (e) This section does not affect the ability of a buyer to rescind
23 the contract or revoke acceptance under any other law.

24 (f) This section does not apply to a used vehicle with a purchase
25 price greater than forty-eight thousand dollars (\$48,000), as
26 adjusted June 1, 2027, and every June 1 thereafter, by the
27 percentage change in the cost of living, as defined in Section 2212
28 of the Revenue and Taxation Code.

29 1784.44. (a) A dealer subject to this title shall create and retain,
30 for a period of two years from the date the record is created, all
31 records necessary to demonstrate compliance with this title,
32 including the following records:

33 ~~(1) Copies of all materially different advertisements and~~
34 ~~marketing materials regarding the price, financing, or lease of a~~
35 ~~vehicle, that the dealer disseminated during the relevant time~~
36 ~~period. A typical example of a credit or lease advertisement may~~
37 ~~be retained for advertisements that include different vehicles, or~~
38 ~~different amounts for the same credit or lease terms, if the~~
39 ~~advertisements are otherwise not materially different. Records~~
40 ~~demonstrating that communications and advertisements of a~~

1 vehicle's total price meet the requirements of subdivision (a) of
2 Section 1784.41. For purposes of this paragraph, "advertisement"
3 includes internet-based listings that display a vehicle's total price,
4 features, or financing terms disseminated by the dealer. This
5 paragraph shall not require retention of records generated solely
6 by interactive tools that allow consumers to adjust variables such
7 as downpayment, credit tier, interest rate, or loan term to receive
8 personalized financing estimates, provided the tools do not alter
9 or misrepresent the vehicle's total price as advertised.

10 (2) Copies of all purchase orders, financing and lease documents
11 with the dealer signed by the consumer, whether or not final
12 approval or assignment of the contract is received from a financing
13 or lease transaction, and all written communications relating to
14 sales, financing, or leasing between the dealer and any car buyer
15 or lessee who signs a purchase order or financing or lease contract
16 with the dealer.

17 (3) Records demonstrating that add-ons in a consumer's contract
18 meet the requirements of Section 1784.42, including copies of all
19 service contracts, GAP agreements, proof of timely payment for
20 add-ons, and calculations of loan-to-value ratios in contracts
21 including GAP agreements.

22 (4) Copies of all cancellation requests, proof of refunds of
23 downpayments or other consideration provided in the purchase of
24 a vehicle, and proof of return of trade-in vehicles.

25 (5) Copies of all written complaints ~~from~~ *sent by* car buyers or
26 lessees ~~received by~~ *to* the dealer relating to sales, financing, leasing,
27 or cancellation requests under Section 1784.43, *written* inquiries
28 related to add-ons, and *written* inquiries and responses about
29 vehicles referenced in Section 1784.41. *For the purposes of this*
30 *paragraph, "complaints" does not include responses to customer*
31 *surveys or reviews, or testimonials posted on the internet.*

32 (b) A dealer subject to this part may keep the records required
33 by subdivision (a) in any legible form, and in the same manner,
34 format, or place as they already keep records in the ordinary course
35 of business. Failure to keep all records required under subdivision
36 (a) is a violation of this title.

37 (c) This section does not limit the requirements imposed by
38 Section 2984.5.

39 ~~SEC. 2. Section 6012.3 of the Revenue and Taxation Code is~~
40 ~~amended to read:~~

1 ~~6012.3. For purposes of this part, “gross receipts” and “sales~~
2 ~~price” do not include that portion of the sales price returned to the~~
3 ~~purchaser of a used motor vehicle pursuant to Section 1784.43 of~~
4 ~~the Civil Code.~~

5 ~~SEC. 3. Section 11709.2 of the Vehicle Code is repealed.~~

6 ~~SEC. 2. Section 6012.3 of the Revenue and Taxation Code is~~
7 ~~amended to read:~~

8 ~~6012.3. (a) For purposes of this part, “gross receipts” and~~
9 ~~“sales price” do not include that portion of the sales price returned~~
10 ~~to the purchaser of a used motor vehicle or the purchase price for~~
11 ~~the purchase of a contract cancellation option pursuant to Section~~
12 ~~11713.21 of the Vehicle Code.~~

13 ~~(b) This section shall remain in effect only until October 1, 2026,~~
14 ~~and as of that date is repealed.~~

15 ~~SEC. 3. Section 6012.3 is added to the Revenue and Taxation~~
16 ~~Code, to read:~~

17 ~~6012.3. (a) For purposes of this part, “gross receipts” and~~
18 ~~“sales price” do not include that portion of the sales price returned~~
19 ~~to the purchaser of a used motor vehicle pursuant to Section~~
20 ~~1784.43 of the Civil Code.~~

21 ~~(b) This section shall become operative October 1, 2026.~~

22 ~~SEC. 4. Section 11709.2 of the Vehicle Code is amended to~~
23 ~~read:~~

24 ~~11709.2. (a) Every dealer shall conspicuously display a notice,~~
25 ~~not less than eight inches high and 10 inches wide, in each sales~~
26 ~~office and sales cubicle of a dealer’s established place of business~~
27 ~~where written terms of specific sale or lease transactions are~~
28 ~~discussed with prospective purchasers or lessees, and in each room~~
29 ~~of a dealer’s established place of business where sale and lease~~
30 ~~contracts are regularly executed, which states the following:~~

31
32 ~~“THERE IS NO COOLING-OFF PERIOD UNLESS YOU~~
33 ~~OBTAIN A CONTRACT CANCELLATION OPTION~~
34

35 ~~California law does not provide for a “cooling-off” or other~~
36 ~~cancellation period for vehicle lease or purchase contracts.~~
37 ~~Therefore, you cannot later cancel such a contract simply because~~
38 ~~you change your mind, decide the vehicle costs too much, or wish~~
39 ~~you had acquired a different vehicle. After you sign a motor vehicle~~

1 purchase or lease contract, it may only be canceled with the
2 agreement of the seller or lessor or for legal cause, such as fraud.

3 However, California law does require a seller to offer a 2-day
4 contract cancellation option on used vehicles with a purchase price
5 of less than \$40,000, subject to certain statutory conditions. This
6 contract cancellation option requirement does not apply to the sale
7 of a recreational vehicle, a motorcycle, or an off-highway motor
8 vehicle subject to identification under California law. See the
9 vehicle contract cancellation option agreement for details.”

10 (b) *This section shall remain in effect only until October 1, 2026,*
11 *and as of that date is repealed.*

12 ~~SEC. 4.~~

13 SEC. 5. Section 11709.2 is added to the Vehicle Code, to read:

14 11709.2. (a) Every dealer shall conspicuously display a notice,
15 not less than three feet high and three feet wide, in each sales office
16 and sales cubicle of a dealer’s established place of business where
17 written terms of specific sale or lease transactions are discussed
18 with prospective purchasers or lessees, and in each room of a
19 dealer’s established place of business where sale and lease contracts
20 are regularly executed that states the following:

21
22 “CALIFORNIA DOES NOT HAVE A COOLING-OFF
23 PERIOD FOR NEW VEHICLES. BUT IF YOU PURCHASED
24 OR LEASED A USED VEHICLE FOR \$____OR LESS, YOU
25 HAVE 3 BUSINESS DAYS TO CANCEL THIS CONTRACT
26 FOR ANY REASON.
27

28 This cooling-off period also does not apply to the sale of a
29 motorcycle or an off-highway motor vehicle subject to registration
30 under California law. See the vehicle contract for details.”

31 (b) A dealer shall fill in the blank in each notice required by
32 subdivision (a) with the dollar amount described in subdivision
33 (f) of Section 1784.43 of the Civil Code and shall update the
34 amount on or before June 1, 2027, and every June 1 thereafter.

35 (c) *This section shall become operative October 1, 2026.*

36 ~~SEC. 5. Section 11713.21 of the Vehicle Code is repealed.~~

37 SEC. 6. *Section 11713.21 of the Vehicle Code is amended to*
38 *read:*

11713.21. (a) (1) A dealer shall not sell a used vehicle, as defined in Section 665 and subject to registration under this code, at retail to an individual for personal, family, or household use without offering the buyer a contract cancellation option agreement that allows the buyer to return the vehicle without cause. This section does not apply to a used vehicle having a purchase price of forty thousand dollars (\$40,000) or more, a motorcycle, as defined in Section 400, or a recreational vehicle, as defined in Section 18010 of the Health and Safety Code.

(2) The purchase price for the contract cancellation option shall not exceed the following:

(A) Seventy-five dollars (\$75) for a vehicle with a cash price of five thousand dollars (\$5,000) or less.

(B) One hundred fifty dollars (\$150) for a vehicle with a cash price of more than five thousand dollars (\$5,000), but not more than ten thousand dollars (\$10,000).

(C) Two hundred fifty dollars (\$250) for a vehicle with a cash price of more than ten thousand dollars (\$10,000), but not more than thirty thousand dollars (\$30,000).

(D) One percent of the purchase price for a vehicle with a cash price of more than thirty thousand dollars (\$30,000), but less than forty thousand dollars (\$40,000).

The term “cash price” as used in this paragraph has the same meaning as described in subparagraph (A) of paragraph (1) of subdivision (a) of Section 2982 of the Civil Code. “Cash price” also excludes registration, transfer, titling, and license fees, the California tire fee, and any charge to electronically register or transfer the vehicle.

(b) To comply with subdivision (a), and notwithstanding Section 2981.9 of the Civil Code, a contract cancellation option agreement shall be contained in a document separate from the conditional sales contract or other vehicle purchase agreement and shall contain, at a minimum, the following:

(1) The name of the seller and the buyer.

(2) A description and the Vehicle Identification Number of the vehicle purchased.

(3) A statement specifying the time within which the buyer must exercise the right to cancel the purchase under the contract cancellation option and return the vehicle to the dealer. The dealer shall not specify a time that is earlier than the dealer’s close of

1 business on the second day following the day on which the vehicle
2 was originally delivered to the buyer by the dealer.

3 (4) A statement that clearly and conspicuously specifies the
4 dollar amount of any restocking fee the buyer must pay to the
5 dealer to exercise the right to cancel the purchase under the contract
6 cancellation option. The restocking fee shall not exceed one
7 hundred seventy-five dollars (\$175) if the vehicle's cash price is
8 five thousand dollars (\$5,000) or less, three hundred fifty dollars
9 (\$350) if the vehicle's cash price is less than ten thousand dollars
10 (\$10,000), and five hundred dollars (\$500) if the vehicle cash price
11 is ten thousand dollars (\$10,000) or more. The dealer shall apply
12 toward the restocking fee the price paid by the buyer for the
13 contract cancellation option. The price for the purchase of the
14 contract cancellation option is not otherwise subject to setoff or
15 refund.

16 (5) Notwithstanding paragraph (4), when a buyer, who leased
17 the purchased vehicle immediately preceding the dealer's sale of
18 the vehicle to the buyer, exercises the contract cancellation option,
19 the limit on the amount of a restocking fee required to be paid by
20 the buyer shall be increased. That increased amount shall be the
21 amount the buyer would have been obligated to pay the lessor, at
22 the time of the termination of the lease, for the following charges,
23 as specified in the lease, and as if the buyer had not purchased the
24 contract cancellation option:

25 (A) Excess mileage.

26 (B) Unrepaired damage.

27 (C) Excess wear and tear.

28 (6) A statement specifying the maximum number of miles that
29 the vehicle may be driven after its original delivery by the dealer
30 to the buyer to remain eligible for cancellation under the contract
31 cancellation option. A dealer shall not specify fewer than 250 miles
32 in the contract cancellation option agreement.

33 (7) A statement that the contract cancellation option gives the
34 buyer the right to cancel the purchase and obtain a full refund,
35 minus the purchase price for the contract cancellation option
36 agreement; and that the right to cancel will apply only if, within
37 the time specified in the contract cancellation option agreement,
38 the following are personally delivered to the selling dealer by the
39 buyer: a written notice exercising the right to cancel the purchase
40 signed by the buyer; any restocking fee specified in the contract

1 cancellation option agreement minus the purchase price for the
2 contract cancellation option agreement; the original contract
3 cancellation option agreement and vehicle purchase contract and
4 related documents, if the seller gave those original documents to
5 the buyer; all original vehicle titling and registration documents,
6 if the seller gave those original documents to the buyer; and the
7 vehicle, free of all liens and encumbrances, other than any lien or
8 encumbrance created by or incidental to the conditional sales
9 contract, any loan arranged by the dealer, or any purchase money
10 loan obtained by the buyer from a third party, and in the same
11 condition as when it was delivered by the dealer to the buyer,
12 reasonable wear and tear and any defect or mechanical problem
13 that manifests or becomes evident after delivery that was not caused
14 by the buyer excepted, and which must not have been driven
15 beyond the mileage limit specified in the contract cancellation
16 option agreement. The agreement may also provide that the buyer
17 will execute documents reasonably necessary to effectuate the
18 cancellation and refund and as reasonably required to comply with
19 applicable law.

20 (8) At the bottom of the contract cancellation option agreement,
21 a statement that may be signed by the buyer to indicate the buyer's
22 election to exercise the right to cancel the purchase under the terms
23 of the contract cancellation option agreement, and the last date
24 and time by which the option to cancel may be exercised, followed
25 by a line for the buyer's signature. A particular form of statement
26 is not required, but the following statement is sufficient: "By
27 signing below, I elect to exercise my right to cancel the purchase
28 of the vehicle described in this agreement." The buyer's delivery
29 of the purchase cancellation agreement to the dealer with the
30 buyer's signature following this statement shall constitute sufficient
31 written notice exercising the right to cancel the purchase pursuant
32 to paragraph (6). The dealer shall provide the buyer with the
33 statement required by this paragraph in duplicate to enable the
34 buyer to return the signed cancellation notice and retain a copy of
35 the cancellation agreement.

36 (9) If, pursuant to paragraph (5), the limit on the restocking fee
37 is increased by the amount the buyer, who exercises a contract
38 cancellation option would have been obligated to pay the lessor,
39 upon termination of the lease, for charges for excess mileage,
40 unrepaired damage, or excess wear and tear, as specified in the

1 lease, the dealer shall provide the buyer with a notice of the
2 contents of paragraph (5), including a statement regarding the
3 increased restocking fee.

4 (c) (1) No later than the second day following the day on which
5 the buyer exercises the right to cancel the purchase in compliance
6 with the contract cancellation option agreement, the dealer shall
7 cancel the contract and provide the buyer with a full refund,
8 including that portion of the sales tax attributable to amounts
9 excluded pursuant to Section 6012.3 of the Revenue and Taxation
10 Code.

11 (2) If the buyer was not charged for the contract cancellation
12 option agreement, the dealer shall return to the buyer, no later than
13 the day following the day on which the buyer exercises the right
14 to cancel the purchase, any motor vehicle the buyer left with the
15 seller as a downpayment or trade-in. If the dealer has sold or
16 otherwise transferred title to the motor vehicle that was left as a
17 downpayment or trade-in, the full refund described in paragraph
18 (1) shall include the fair market value of the motor vehicle left as
19 a downpayment or trade-in, or its value as stated in the contract
20 or purchase order, whichever is greater.

21 (3) If the buyer was charged for the contract cancellation option
22 agreement, the dealer shall retain any motor vehicle the buyer left
23 with the dealer as a downpayment or trade-in until the buyer
24 exercises the right to cancel or the right to cancel expires. If the
25 buyer exercises the right to cancel the purchase, the dealer shall
26 return to the buyer, no later than the day following the day on
27 which the buyer exercises the right to cancel the purchase, any
28 motor vehicle the buyer left with the seller as a downpayment or
29 trade-in. If the dealer has inadvertently sold or otherwise transferred
30 title to the motor vehicle as the result of a bona fide error,
31 notwithstanding reasonable procedures designed to avoid that
32 error, the inadvertent sale or transfer of title shall not be deemed
33 a violation of this paragraph, and the full refund described in
34 paragraph (1) shall include the retail market value of the motor
35 vehicle left as a downpayment or trade-in, or its value as stated in
36 the contract or purchase order, whichever is greater.

37 (d) If the dealer received a portion of the purchase price by
38 credit card, or other third-party payer on the buyer's account, the
39 dealer may refund that portion of the purchase price to the credit
40 card issuer or third-party payer for credit to the buyer's account.

1 (e) Notwithstanding subdivision (a), a dealer is not required to
2 offer a contract cancellation option agreement to an individual
3 who exercised ~~his or her~~ *the individual's* right to cancel the
4 purchase of a vehicle from the dealer pursuant to a contract
5 cancellation option agreement during the immediately preceding
6 30 days. A dealer is not required to give notice to a subsequent
7 buyer of the return of a vehicle pursuant to this section. This
8 subdivision does not abrogate or limit any disclosure obligation
9 imposed by any other law.

10 (f) This section does not affect or alter the legal rights, duties,
11 obligations, or liabilities of the buyer, the dealer, or the dealer's
12 agents or assigns, that would exist in the absence of a contract
13 cancellation option agreement. The buyer is the owner of a vehicle
14 when ~~he or she~~ *the buyer* takes delivery of a vehicle until the
15 vehicle is returned to the dealer pursuant to a contract cancellation
16 option agreement, and the existence of a contract cancellation
17 option agreement shall not impose permissive user liability on the
18 dealer, or the dealer's agents or assigns, under Section 460 or
19 17150 or otherwise.

20 (g) This section does not affect the ability of a buyer to rescind
21 the contract or revoke acceptance under any other law.

22 (h) This section shall become operative on July 1, 2012.

23 (i) *This section shall remain in effect only until October 1, 2026,*
24 *and as of that date is repealed.*