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## Department of Revenue

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### Directive 14-1: Document and Title Preparation Fees Charged by Motor Vehicle Dealers

**Introduction:** In many motor vehicle sales transactions, the motor vehicle dealer charges the retail customer a separately stated document preparation fee and title preparation fee relating to paperwork necessary to complete the sale including the title and registration.

**Issue:** Are separately stated document preparation fees and title preparation fees charged by a motor vehicle dealer in connection with the sale of a motor vehicle subject to tax?

**Directive:** Separately stated document preparation fees and title preparation fees charged by a motor vehicle dealer in connection with the sale of a motor vehicle are part of the sales price subject to sales tax, regardless of whether they are paid at the time of the sale or financed.

**Discussion of Law:** Massachusetts imposes an excise upon all retail sales of tangible personal property and telecommunications services in Massachusetts by a vendor unless otherwise exempt. The statutory definition of "sale" includes any

transfer of title or possession, or both, for a consideration including leases or rentals of tangible personal property. Where applicable, the excise is imposed at the rate of 6.25 percent of the sales price of the property or services sold. G.L. c. 64H, §§ 1, 2. A complementary 6.25 percent use tax is imposed on tangible personal property and telecommunications services purchased from any vendor for storage, use or consumption in Massachusetts. G.L. c. 64I, §§ 1, 2.

The taxable "sales price" in a retail sale is generally the total amount paid by the purchaser to the vendor as consideration. In a sale of tangible personal property, the taxable sales price includes any services that are a part of the sale. G.L. c. 64H, § 1.

The general rules for calculation of tax on sales of motor vehicles are contained in the Department's sale tax regulation on Motor Vehicles, 830 CMR 64H.25.1. That regulation defines the "sales price" of a motor vehicle as "the total amount or value paid or exchanged by a purchaser as consideration for the transfer of title to or possession of a motor vehicle, trailer, or other vehicle, whether valued in money or otherwise, less any vehicle manufacturer's excise tax imposed by the United States." Document preparation fees are not specifically discussed in the Department's regulation. However, like the mandatory acquisition fees in connection with a motor vehicle lease discussed in DOR Directive 01-5, document preparation fees are paid by the retail customer to the dealer as consideration for the transfer of title or possession of the motor vehicle. Generally, document preparation fees refer to the dealer's preparation of paperwork including the Motor Vehicle Purchase Agreement and the RMV-1, without which a retail sale cannot be completed.<sup>[1]</sup> These are not optional services; the sale cannot be completed without them. Thus, whether or not separately stated, any charges from a dealer for document preparation fees and title preparation fees are services that are a part of the sale and, as such, are included in the sales price subject to tax.

/s/Amy Pitter  
Amy Pitter  
Commissioner of Revenue

AP:MTF:ecl

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<sup>[1]</sup> "Documentary Preparation" is referenced in the Attorney General's motor vehicle advertising and sales regulations (540 CMR 5.00 et al.). That regulation does not list the items that can or cannot be included in this fee and there is no requirement to itemize the individual components of the documentary preparation fee on the purchase agreement. However, the title preparation fee is generally separately stated to comply with the \$5 limitation on that charge in G.L. c. 90D, § 33. The total amount of the documentary preparation fee cannot include any fees paid to the RMV, any fee for the dealer's electronic registration of the vehicle or any costs associated with preparing or processing the financing of the vehicle.

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