

DEALER COMPLIANCE CHECKLIST

Keep Your License Active & Compliant | 2025 Edition

This comprehensive compliance checklist helps you maintain your California dealer license in good standing year-round. Use it to track ongoing requirements, renewals, and best practices for staying compliant with all state regulations.

FREE RESOURCES FROM CALIFORNIA DEALER ACADEMY

- **Dealership Setup:** CaliforniaDealerAcademy.com/set-up-california-used-car-dealer-license/
- **Renewal Education:** CaliforniaDealerAcademy.com/renew-dealer-license/
- **Additional Resources:** CaliforniaDealerAcademy.com/playbook/resources/

SECTION 1: ANNUAL LICENSE RENEWAL

(Due 60 days before expiration)

- Set calendar reminder 90 days before license expiration date
- Log into DMV Occupational Licensing Portal (<https://ol.dmv.ca.gov>)
- Update business information if anything has changed
- Verify current bond is listed and active
- Verify current insurance is listed and active
- Review dealer plate inventory and status
- Pay renewal fee electronically
- Download and save new license certificate
- Update internal records with new license expiration date

SECTION 2: BOND & INSURANCE RENEWAL

(Annual — target 30 days before expiration)

- Contact bond provider (Magic 98 Insurance — ask for Mike Gonzalez)
- Confirm \$50,000 bond amount (\$10,000 for motorcycle)
- Provide updated business information if needed
- Receive renewed bond copy
- Verify business name on bond matches entity documents
- Upload bond proof to DMV OL Portal
- Confirm garage liability insurance is current (\$1M/\$2M)
- Verify garage keepers liability coverage is active
- Verify dealer plate coverage is included
- Keep insurance policy copy on file and accessible
- Verify no gap in coverage between renewal dates

SECTION 3: CONTINUING EDUCATION

(Every 2 years)

- Track when 2-year renewal education is due (calendar reminder)
- Enroll in DMV-approved 4-hour renewal course at least 60 days before expiration
- California Dealer Academy is DMV-approved and recommended
- Complete all renewal course modules
- Receive completion certificate
- Upload certificate to DMV OL Portal with renewal application
- Maintain copy on file for 4 years

SECTION 4: RECORD-KEEPING & ORGANIZATION

(Ongoing — Monthly or Quarterly Review)

- Maintain deal jackets for minimum 4 years
- Each deal jacket includes:
 - Buyer order / contract
 - Bill of sale
 - Odometer disclosure
 - Title and registration copy
 - Financing or payment terms documentation
 - All disclosures and customer agreements
- Organize by date or vehicle VIN
- Store both physical (locked cabinet) and digital (backed-up) copies
- Ensure records are accessible during business hours for inspection
- Maintain separate Records Retention Log showing:
 - Date received
 - Vehicle VIN
 - Seller name
 - Buyer name
 - Destruction/retention date

SECTION 5: REPORTS OF SALE (ROS) FILING

(Within 5 days of each sale)

- File each Report of Sale electronically with DMV
- Verify accuracy of VIN and buyer information
- Confirm sale date is correct
- Match ROS to title and registration submission
- Keep ROS copies for 4 years minimum
- Track ROS submission dates to ensure 5-day deadline is met
- Reconcile monthly ROS with CDTFA sales-tax reports

SECTION 6: SALES TAX COMPLIANCE

(Monthly or Quarterly, per your permit)

- File CDTFA sales-tax returns on schedule (monthly or quarterly)
- Match vehicle sales reported to DMV (ROS) with CDTFA filings
- Report all taxable vehicle sales
- Calculate sales tax correctly for your jurisdiction
- Pay sales tax by due date (avoid penalties and interest)
- Keep tax returns and receipts for 4 years
- Monitor CDTFA communications for audits or discrepancies
- Respond immediately to any CDTFA inquiries

SECTION 7: ADVERTISING & MARKETING COMPLIANCE

(Ongoing — Monthly Review)

- Display dealer license number on ALL advertising materials
- Ensure business name is accurate and complete
 - Print: newspapers, flyers, banners, signage
 - Digital: website, social media, email marketing, video ads
- Verify no misleading terms or promises

Examples of PROHIBITED language:

- X "No down payment" (without clear disclosure)
- X "No credit refused" (can appear discriminatory)
- X "Guaranteed approval" (without lender confirmation)
- X "Prices starting at" (if no vehicles available at that price)

Examples of REQUIRED language:

- ✓ Dealer license number visible
- ✓ Business name matching your entity
- ✓ Clear fee disclosures
- ✓ Financing terms and rates (if advertised)
- Keep copies of all ads on file (at least 12 months)
- Remove sold vehicles from online listings promptly
- Review social media pages monthly for compliance

SECTION 8: DEALER PLATE MANAGEMENT

(Ongoing + Annual Renewal)

- Maintain Dealer Plate Log showing:
 - Plate number
 - Vehicle assigned to plate
 - Driver/employee authorized to use
 - Date issued
 - Intended use (test drive, transport, etc.)
- Ensure plates are used ONLY for authorized business purposes

Prohibited uses:

- ✗ Personal transportation
- ✗ Employee commuting
- ✗ Loaning plates to third parties
- ✗ Rent-a-car operations
- Train all employees on proper plate usage
- Monitor for unauthorized plate use
- Renew plates annually with license renewal
- Request additional plates if needed (submit request with renewal)
- Report lost or stolen plates to DMV immediately

SECTION 9: BUSINESS LOCATION & SIGNAGE MAINTENANCE

(Quarterly Check)

- Verify permanent signage is still installed and visible
- Confirm sign displays correct business name (exactly as licensed)
- Ensure sign is not faded, damaged, or partially hidden
- Verify posted business hours are accurate and current
- Confirm posted hours match DMV application
- Ensure office remains functional and organized
- Display license certificate or copy in office/window
- Maintain display area (if applicable) free of non-inventory items
- Ensure adequate lighting for evening/weekend inspections
- Verify accessibility and street visibility

SECTION 10: BOND & INSURANCE VERIFICATION

(Quarterly Check)

- Confirm bond is still active and has not been claimed
- Verify business name on bond matches entity
- Check insurance policies are still active
- Verify policy limits have not been reduced
- Confirm no coverage gaps or lapses
- Monitor for renewal notices from providers
- Plan ahead for renewals (at least 30 days before expiration)
- Keep digital copies accessible for inspection

SECTION 11: CUSTOMER INTERACTION & COMMUNICATION

(Ongoing)

- Maintain professional communication with all customers
- Provide clear, written documentation for all transactions
- Honor commitments and agreements made to customers
- Respond promptly to customer inquiries or complaints
- Document all customer communications (keep on file)
- Handle disputes fairly and transparently
- Avoid practices that could trigger complaints to DMV

SECTION 12: EMPLOYEE TRAINING & OVERSIGHT

(Quarterly)

- Train employees on:
 - Dealer plate usage rules and restrictions
 - Record-keeping requirements
 - Advertising compliance
 - Customer communication best practices
 - Keep training documentation on file
 - Review dealer plate logs with employees
 - Ensure compliance with all dealership policies
 - Monitor for unauthorized or improper business practices

SECTION 13: AUDIT READINESS

(Monthly Self-Audit)

- Verify records are organized and accessible
- Confirm all deal jackets are complete and labeled
- Check that ROS dates match sale documentation
- Review sales-tax reports for accuracy
- Confirm all vehicles were properly titled and registered
- Verify advertising compliance
- Check dealer plate usage logs
- Ensure bond and insurance are current
- Verify business name consistency across all documents
- Test digital backup systems

SECTION 14: ENTITY & REGISTRATION MAINTENANCE

(Annual)

- File annual Statement of Information with Secretary of State
- Pay California annual franchise tax (\$800 minimum for LLC/Corp)
- Maintain registered agent on file (can be you)
- Update business address if moved
- Maintain operating agreement or corporate bylaws
- Keep ownership records current
- Verify entity is in good standing with Secretary of State

SECTION 15: RESPONDING TO AUDITS OR INVESTIGATIONS

(If Contacted)

If contacted by DMV, CDTFA, or law enforcement:

- Respond promptly and professionally
- Keep all correspondence on file
- Do NOT ignore or delay response
- Provide requested documents accurately and completely
- Do NOT alter records
- Gather all relevant files and organize chronologically
- Consider consulting legal counsel if investigation is serious
- Cooperate fully and demonstrate transparency
- Request written summary of findings if possible
- Follow any correction orders or requirements to completion

MONTHLY CHECKLIST (Quick Reference)

EVERY MONTH:

- Review and file any Reports of Sale (ROS) due
- Verify bond and insurance are still active
- Review advertising for compliance
- Check dealer plate logs for proper usage
- Spot-check deal jackets for completeness
- Confirm posted hours are accurate
- Verify signage is visible and readable

EVERY 3 MONTHS:

- Conduct self-audit of records
- Verify location and signage compliance
- Review CDTFA tax compliance
- Audit employee compliance training

EVERY 12 MONTHS:

- Renew dealer license (60 days before expiration)
- Renew bond and insurance
- File annual franchise tax and Statement of Information
- Renew Seller's Permit if needed
- Renew dealer plates
- Complete renewal education (every 2 years)

CONTACT & RESOURCE INFORMATION

DMV Occupational Licensing: <https://ol.dmv.ca.gov>

DMV Phone: 1-888-406-1515

CDTFA (Sales Tax & Seller's Permit): <https://cdtfa.ca.gov>

CA Secretary of State: <https://sos.ca.gov>

Bond Provider (Magic 98 Insurance):

Ask for Mike Gonzalez, mention Garrett from California Dealer Academy

California Dealer Academy:

- Setup Guide: CaliforniaDealerAcademy.com/set-up-california-used-car-dealer-license/
- Renewal Education: CaliforniaDealerAcademy.com/renew-dealer-license/
- Resources: CaliforniaDealerAcademy.com/playbook/resources/

DISCLAIMER: This checklist is for educational purposes only and reflects professional experience in California dealer licensing and compliance. It is not legal, financial, or tax advice. Always verify current requirements with the California DMV Occupational Licensing Division and CDTFA, and consult qualified professionals for your specific situation.

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