California's New 3-Day Used Car Return Law Puts Vehicle Condition Documentation in the Spotlight

California's SB 766 adds a 3-day cancellation right for qualifying used vehicles, putting greater focus on vehicle condition records.

Vehicle condition documentation is becoming a greater operational consideration for California used car dealerships ahead of SB 766.

DALLAS, TX, UNITED STATES, August 13, 2026 /EINPresswire.com/ -- A new California law taking effect October 1, 2026, will give buyers and lessees of qualifying used vehicles a three-day window to cancel the transaction, prompting dealerships to look more closely at how they document a vehicle's condition when it leaves the lot and if it comes back.

Senate Bill 766, the Combating Auto Retail Scams (CARS) Act, was approved by Governor Gavin Newsom on October 6, 2025. Under the law, a dealer generally cannot sell or lease a used vehicle priced at $50,000 or less without offering the buyer or lessee a three-day right to cancel the transaction.

The cancellation period begins the calendar day after the purchase or lease is executed and generally runs for three calendar days. If the final day falls when the dealership is closed, the deadline extends to the next day the dealership is open for business. The cancellation right also ends if the vehicle has been driven more than 400 miles after delivery.

For canceled sales, dealers may charge a restocking fee of 1.5% of the vehicle's sale price, subject to a minimum of $200 and a maximum of $600. The law also permits an additional mileage charge of up to $1 per mile above 250 miles, capped at $150.

Why Vehicle Condition Documentation Matters Under SB 766

One of the most important operational details is what happens to the vehicle during the cancellation period.

Under SB 766, a vehicle being returned generally must be in the same condition it was in when the dealer delivered it, apart from reasonable wear and tear and certain defects or mechanical problems that arise after delivery through no fault of the buyer or lessee.

The law also requires dealers to maintain documentation describing any damage beyond reasonable wear and tear.

That creates a straightforward comparison challenge. A dealership assessing whether damage occurred during the cancellation period needs a reliable reference point for the vehicle's condition when it originally left the lot.

Operationally, that creates two useful condition checkpoints: a delivery-condition record before the vehicle leaves and a return-condition record if the buyer or lessee exercises the cancellation right.

SB 766 does not require a formal before-and-after inspection process or prescribe how dealerships must document that comparison. The law creates the legal framework and documentation requirements, while the operational process is left to individual dealerships.

Why Dealerships May Need More Consistent Condition Records

Mileage records, photos, damage notes, and other condition records are already familiar parts of many vehicle workflows. What SB 766 changes is the importance of having reliable documentation available when a cancellation occurs within the new three-day window.

Inconsistent photos, vague damage notes, missing mileage information, or records stored on individual employees' phones can make a condition comparison much harder.

Structured, photo-backed inspection technology offers one way to address those gaps.

SnapInspect is a mobile inspection platform used across property, fleet, and rental vehicle inspection workflows. The platform supports customizable checklists, photo and video capture, mobile inspections, and side-by-side reporting that can compare inspections of the same asset.

Applied to a dealership workflow, this can support a consistent delivery-condition record and, if a vehicle is returned, a comparable return-condition record.

Using [vehicle inspection software] does not, on its own, make a dealership compliant with SB 766. The legislation also includes requirements relating to pricing disclosures, financing practices, cancellation procedures, refunds, and record retention.

The law requires covered dealers to retain records necessary to demonstrate compliance for two years, including specified purchase or lease documents, cancellation requests, evidence of refunds, and records relating to returned trade-in vehicles.

Looking Ahead to October 2026

With the October 1 operative date approaching, dealerships still have time to review how vehicle condition is documented today and identify potential gaps.

The cancellation provisions generally apply to qualifying used vehicles priced at $50,000 or less, although the law contains exclusions and definitions dealers should review carefully.

Dealers should review the enacted legislation and seek appropriate legal guidance to understand how SB 766 applies to their specific transactions and processes.

From an operational perspective, the condition-documentation question is simple: if a vehicle leaves today and comes back within the cancellation window, can the dealership quickly show what condition it was in at both points?

A closer look at how the new law affects dealership vehicle inspections, including the statutory provisions affecting vehicle condition and documentation, is available on SnapInspect's blog.

Dealerships reviewing their inspection workflows ahead of October can also book a demo to see how a structured, photo-based process could fit into their existing operation.

About SnapInspect

SnapInspect is inspection software and a mobile app used across property, fleet, rental vehicle, and other inspection workflows to digitize condition documentation. The platform combines customizable checklists, photo and video capture, mobile inspections, reporting, and side-by-side inspection comparison to help teams create structured, accessible condition records.

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