

SUBJECT: Transfer of title to a motor vehicle

COMMITTEE: Transportation — favorable, without amendment

VOTE: 8 ayes — Alexander, Bosse, Alonzo, Clemons, Moreno, Price, Siebert,
Uher

0 nays

1 absent — Edwards

SENATE VOTE: On final passage, April 12 — 31-0

WITNESSES: None

BACKGROUND: The buyer of a motor vehicle from a dealer or an individual is responsible for transferring title of the vehicle, registering the vehicle in the buyer's name and remitting to the state the motor vehicle sales tax due on the transaction. The seller's duty is to deliver the certificate of title to the purchaser.

DIGEST: SB 1445 would require the seller of a motor vehicle to add the amount of the tax to the sales price of the automobile. The amount of the added tax would be the debt of the purchaser to the seller until paid; and if unpaid, it would be recoverable in the same manner as the original sales price.

The bill would amend VACS art. 6687-1 sec. 27, the Certificate of Title Act, to require the seller of a motor vehicle to apply for the registration of and Texas certificate of title in the name of the purchaser of the motor vehicle. The seller would have to file all documents necessary to transfer title to the vehicle. The responsibility of the seller would apply to a first sale and a subsequent sale.

The bill also would:

- require the seller to collect the motor vehicle sales tax from the purchaser and remit it to the tax assessor-collector. This section would apply only to

the sale of a vehicle that is to be titled and registered in Texas, and would not apply to a seller-financed sale;

- require the comptroller to ascertain compliance with the terms of this section. The bill provides that the seller would be liable for the amount of the sales tax, plus penalty and interest, if the comptroller found that the documents necessary to title and register a vehicle in the name of the purchaser of the vehicle have not been executed and delivered to the tax assessor-collector;
- allow the department to issue a certified copy of a certificate of title before the fourth business day after the application has been made only to the registered owner of the vehicle or the holder of a recorded lien against the vehicle if the applicant submits personal identification, including a photograph;
- delete part of the text of a buyer's order and retail installment contract stating that buyer may avoid payment of the fee to the seller by handling the documents and performing the services relating to the closing of the sale.

The bill would take effect January 1, 1996.

**SUPPORTERS
SAY:**

SB 1445 would shift the responsibility for the transfer of title and payment of sales tax from the buyer of the motor vehicle to the seller to conform to the application of the collection of sales tax for every other commodity. The present system provides very little incentive for the buyer to remit the tax or transfer the title. As a result, some sellers continue to receive for many months the fines from traffic violations committed by the new owner of the vehicle. The change in law would provide greater incentive for the buyer to remit the tax and transfer the title as the buyer no longer has possession of the vehicle.

The bill would establish an audit system to be conducted by the Comptroller's Office to check for compliance. Fines and penalties would be levied against the seller for not sending in the sales tax. A recent study by the Texas Natural Resource Conservation Commission found that

roughly 22 percent of autos that were in violation of air emission laws were not properly registered and titled.

The bill would ensure greater compliance with the transfer of title and could increase the state's revenue from the collection of sales tax resulting from the sale of a motor vehicle.

OPPONENTS
SAY:

No apparent opposition.