

SUBJECT: Deferral of motor vehicle sales taxes on seller-financed sales

COMMITTEE: Ways and Means — Reported favorably without amendment(s)

VOTE: 8 ayes — Keffer, Ritter, Bonnen, Y. Davis, Flores, Paxton, Pena, Pitts
0 nays
1 absent — Otto

WITNESSES: For — Michael Dunagan, Texas Independent Automobile Dealers Association; Byron Riley, Uncle Buddy's Preowned/Texas Independent Dealers Association; WM A. Bill Taylor, Bill's Trading Place Inc./Texas Independent Auto Dealers Association; (*Registered, but did not testify:* Tom Blanton, Texas Automobile Dealers Association; Don Fincher, Fincher Motor Dealer Co.; and five others)

Against — None

BACKGROUND: Under Tax Code sec. 152.047(g), when an automobile seller transfers the right to receive payment for a vehicle to another entity such as a finance company, all unpaid motor vehicle sales taxes deferred for the length of the payment plan come due.

DIGEST: Under HB 3461, the full amount of deferred motor vehicle sales taxes would not come due on an automobile when the dealer sold the purchaser's account to an entity at least 80 percent owned by the owner of the dealer. The full amount also would not come due when the dealer granted a security interest in a purchaser's account but retained custody of the account and the right to receive payments, in the absence of a default.

The bill would apply only to taxes imposed on or after the effective date.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

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NOTES: According to the LBB, HB 3461 would cost \$3.9 million in general revenue-related funds in fiscal 2008-09.