

BILL ANALYSIS

Senate Research Center

H.B. 2400
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Finance
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Texas law provides that the motor vehicle sales tax shall be imposed on every retail sale of every motor vehicle sold in Texas. Generally, this means that the 6.25 percent tax shall be applied whenever a car or truck is sold to an end customer. The Tax Code does provide for several specific exceptions to this tax requirement, however. Specifically, the sale of a vehicle from a car manufacturer to a franchised car dealer is not classified as a retail sale for sales tax purposes.

While the Tax Code provides that the sale of vehicles from a manufacturer to a franchised dealer is not a sales taxable event, interested parties contend that the statute is silent on whether the transfer of vehicles between divisions of the same car manufacturing company would constitute a retail sale subject to motor vehicle sales taxes. The intent of H.B. 2400 is to clarify that the sale of vehicles within the same manufacturing company does not constitute a "retail sale" for the purpose of assessing the motor vehicle sales tax.

H.B. 2400 amends current law relating to the sale of a new motor vehicle to certain manufacturers or distributors.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 152.001(2), Tax Code, as follows:

(2) Redefines "retail sale" to mean the sale of a motor vehicle except:

(A) Makes no change to this paragraph;

(B) and (C) Makes nonsubstantive changes; or

(D) the sale of a new motor vehicle in which the purchaser is a manufacturer or distributor as those terms are defined by Section 2301.002 (Definitions), Occupations Code, who acquires the motor vehicle either for the exclusive purpose of sale in the manner provided by law or for purposes allowed under Section 503.064 (Manufacturer's License Plates), Transportation Code.

SECTION 2. Provides that the change in law made by this Act does not affect tax liability accruing before the effective date of this Act. Provides that liability continues in effect as if this Act had not been enacted, and the former law is continued in effect for the collection of taxes due and for civil and criminal enforcement of the liability for those taxes.

SECTION 3. Effective date: September 1, 2015.