

## **BILL ANALYSIS**

Senate Research Center

S.B. 1125  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

Texas law provides that the motor vehicle sales tax is due on the "retail sale" of a motor vehicle. The Tax Code also provides that when a franchised car dealer purchases a vehicle from a manufacturer, the sale is not considered a retail sale for tax purposes. In these cases a \$25 fee is assessed for the metal dealer license plates issued as part of the transaction. Similarly, car manufacturers are authorized to use metal manufacturer's license plates on vehicles not yet involved in retail sales.

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 S.B. 1125 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. S.B. 1125 also clarifies that the \$25 tax currently applied to metal dealer's license plates also applies to vehicles issued a metal manufacturer's plate.

As proposed, S.B. 1125 amends current law relating to the sale of motor vehicles to manufacturers.

### **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, Tax Code, to redefine "retail sale," to exclude the sale of a new motor vehicle in which the purchaser is a person who manufactures, distributes or assembles new motor vehicles and who acquires the vehicle for purposes allowed under Section 503.064 (Manufacturer's License Plates), Transportation Code. Makes nonsubstantive changes.

SECTION 2. Amends Section 152.027, Tax Code, to provide that a use tax is imposed on each person to whom is issued a metal dealer's plate authorized by Chapter 503 (Dealer's and Manufacturer's Vehicle License Plates), Transportation Code or to whom is used a metal manufacturer's plate authorized by Chapter 503, Transportation Code. Makes no further change to this section.

SECTION 3. Effective date: September 1, 2015.