

## **BILL ANALYSIS**

Senate Research Center

C.S.S.B. 1125  
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Finance  
4/14/2015  
Committee Report (Substituted)

### **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. (Original Author's/Sponsor's Statement of Intent)

C.S.S.B. 1125 amends current law relating to the application of the motor vehicle sales tax 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, to redefine "retail sale," to exclude 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. Makes nonsubstantive changes.

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 for civil and criminal enforcement of the liability for those taxes.

SECTION 3. Effective date: September 1, 2015.