

Motor Vehicle Sales, Use and Rental Tax

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Motor vehicles are self-propelled units that transport property or persons upon public highways. The term also includes trailers, semitrailers, travel trailers and motorcycles designed for highway use.

Motor Vehicle Sales Tax

A 6.25 percent sales tax is imposed on the retail sales price (less trade-in allowance) of motor vehicles sold in Texas. A minimum value may apply; see the section below for more information on the Standard Presumptive Value.

The county tax assessor-collector collects the tax along with the application for vehicle title. The application must include a description of the vehicle being purchased, the correct selling price, a description of any trade-in and the signatures of the buyer and seller. The Form 130-U, *Application for Texas Certificate of Title/Motor Vehicle Tax Statement*, is used by the Texas Department of Transportation (TxDOT) and the Comptroller's office to document the title information and the motor vehicle tax due.

Vehicles Purchased Out of State

There is a 6.25 percent use tax on the selling price (less trade-in allowance) of a motor vehicle

purchased outside of the state and later brought into the state for use on Texas highways by a Texas resident. A minimum value may apply; see the section below for more information on the Standard Presumptive Value (SPV). The tax also applies to vehicles leased in another state and registered in Texas by a Texas resident. The taxable value of private-party purchases of used motor vehicles may be based on 80 percent of the SPV. With proof of payment, similar tax paid on the vehicle to another state can be credited against the tax due.

Standard Presumptive Value

Standard Presumptive Value (SPV) applies to private-party sales of all types of used motor

vehicles purchased or brought into Texas after October 1, 2006. The used vehicle's SPV is available on the Texas Department of Transportation's Web site at www.txdot.state.tx.us. However, the taxable value is determined by the County Tax Assessor-Collector, and will be the

greater of the sales price or 80% of the current TxDot value on the day of title application.

The SPV calculation does not apply to these sales:

- sales by dealers
- salvage vehicles;

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Purchasers should realize that an appraisal fee may offset any tax savings. For example, tax on \$1,600 of value is \$100. In other words, a \$100 appraisal must reduce the vehicle's SPV by more than \$1,600 to save money. A \$300 appraisal fee would require almost a \$5,000 reduction in value to offset the appraisal cost.

- abandoned vehicles;
- vehicles sold through storage or mechanic's liens;
- vehicles eligible for classic car and classic truck license plates (whether or not the vehicles use those plates);
- an even trade of vehicles, which has a \$5 motor vehicle tax;
- the gift of a vehicle, which has a \$10 motor vehicle tax; or
- sales by Texas Governmental entities sold at auction.

A purchaser who pays less than 80 percent of the vehicle's SPV may pay less tax only if a certified appraisal for the used vehicle reflects a lesser value. For example, a used vehicle may be worth less if it has substantial body damage or needs major mechanical work. The purchaser must present the appraisal to the county, on the Comptroller's form

14-128, Texas Used Motor Vehicle Certified Appraisal Form, within 20 county working days from the purchase date or within 20 county working days after bringing the vehicle into Texas. There are two ways to get a certified appraisal: from a motor vehicle dealer licensed for that category of vehicle or from a licensed insurance adjuster. For example, a purchaser can request a car dealer to appraise a car, a motorcycle dealer to appraise a motorcycle or a trailer dealer to appraise a trailer.

Dealer fees for appraisals are set by law and Comptroller rule:

- For most vehicles, a dealer can charge from \$100 to no more than \$300,
- a motorcycle appraisal can cost from \$40 to \$300 and
- a house trailer, travel trailer or a motor home appraisal can cost from \$100 to \$500.
- The law allows licensed insurance adjusters to determine the fees they charge.

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New Resident's Tax

A new Texas resident must pay a \$90 use tax on a motor vehicle registered in his or her own name in another state or

foreign country and then brought into Texas. The new resident tax also applies to vehicles leased in another state or foreign country and registered in Texas by the new resident. This new resident tax may not be offset by sales or use tax paid to another state.

Texas Emissions Reduction Plan Surcharge

In addition to the motor vehicle sales, use or new resident use tax, a surcharge is imposed on the sale or use of a diesel-powered motor vehicle with a registered gross weight over 14,000 pounds. The rate for model years 1996 and earlier is 2.5 percent of the total



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consideration paid for the vehicle, and the rate for model years 1997 and later is 1 percent. This surcharge may not be offset by sales or use tax paid to another state.

Even Trades and Gifts

An even trade is the exchange of a motor vehicle for another motor vehicle in which no consideration other than the exchange of the vehicle is involved. More than one vehicle can be exchanged for one or more other vehicles if the net value to both parties remains the same. A \$5 tax is due on each vehicle in an even trade.

There is a \$10 tax when a person receives a motor vehicle as a gift. If the recipient assumes a lien on the vehicle or performs a service for the vehicle, then the vehicle is not a gift and the 6.25 percent tax is due on the amount of the lien, service or SPV.

Due Date

The tax is due 20 county working days from the date of sale or, if acquired out of state, 20 days from the date of first use in Texas.

Active duty personnel of the U.S. military, the reserves of the U.S. military, of the National Guard or of another state's National Guard have 60 county working days from the date of sale or, if acquired out of state, from the date of first use in Texas to transfer a used motor vehicle with the county tax office.

Tax Exemptions

Driver Training

No tax is due on a vehicle owned by and titled to a dealership if loaned without charge to a public school for exclusive use in an approved standard driver-training course. The public school applies for exempt license plates at the time of vehicle registration.

Modified for Orthopedically Disabled

A vehicle specifically modified to enable an orthopedically disabled driver to operate the vehicle, or an orthopedically disabled passenger to be transported in the vehicle, is exempt from the tax. Qualifying modifications include a wheelchair lift, hoist and hand-controlled accelerator and brake. Qualifying modifications do not include running boards, grab bars, steering wheel knobs or other standard factory options, such as an automatic transmission or power steering. To qualify for the exemption, the purchaser must have the vehicle modified before the second anniversary of the date of purchase.

Public Agency

There's no motor vehicle sales or rental tax on a vehicle purchased by, or leased or rented to, a public agency. A public agency includes the federal government and its agencies, this state and its counties and cities. To qualify for this exemption, the vehicle must be operated with exempt license plates.

Federal law also provides for motor vehicle tax exemptions for other organizations, including certain Indian tribes, the American Red Cross, Boy Scouts, Girl Scouts, Camp Fire Girls, Boys Clubs and Girls Clubs.

Church Transportation

No tax is due when a church buys or rents a vehicle designed to carry more than six passengers if used at least 80 percent of the time to transport people to and from church services or religious meetings. Tax is due, however, on a vehicle purchased for the personal use of a minister.

Licensed Child Care Facilities

Certain child care facilities licensed under Human Resources Code Chapter 42 that provide 24-hour residential care are exempt

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from motor vehicle sales tax. The facility must be licensed to provide care in a single residential group both to children who do not require specialized services or treatment and children who are emotionally disturbed. To qualify, the vehicle must be used primarily in transporting the children who reside in the facility.

Inherited Motor Vehicles

An inherited motor vehicle, which an individual received as specified by a deceased person's will or by order of a probate court, is exempt from motor vehicle sales tax. The transfer of the inherited vehicle is not a sale. If, however, the heir assumes a debt or gives consideration to the deceased's estate for the vehicle, motor vehicle sales tax is due.

Interstate Motor Vehicles

Interstate trucks and truck tractors with apportioned registration, interstate charter buses and interstate trailers and semitrailers are exempt from motor vehicle tax and may be registered tax-free.

Farm/Timber Machines and Farm/Timber Trailers

Self-propelled vehicles specially modified as farm or timber machines and semitrailers purchased for use primarily on a farm, ranch or in a timber operation are exempt from motor vehicle tax. The exemption does not extend to self-propelled vehicles used to transport timber or timber products.

Hydrogen-Powered Motor Vehicles

Ultra low-emission vehicles that are hydrogen power capable with at least 45 miles per gallon or are fully hydrogen-powered are exempt from Texas motor vehicle sales or use tax. Vehicles must meet Phase II standards by the California Air Resource Board as of September 1, 2007.

Motor Vehicle Rental

A motor vehicle rental occurs when the owner offers exclusive use of the vehicle to another for a fee or other consideration. Rentals are for 180 days or less under a single contract, unless it is a re-rental (a rental to another rental company that will rent to a retail customer), or the owner is a manufacturer, in which case the rental can be for any period of time.

For rental contracts of 30 days or less, the tax rate is 10 percent of the gross rental receipts. Additionally, some cities and counties have created sports and community venue authorities/districts that may impose up to an additional 5 percent tax on short-term rentals. For contracts of 31 to 180 days, the tax rate is 6.25 percent of the gross rental receipts. Rentals over 180 days are considered a lease and no tax is due. For more information see the section in this publication on "Leased Vehicles."

A motor vehicle rental permit holder that is a manufacturer, a licensed Texas automobile dealer or who is the title owner of at least five motor vehicles that will be rented within a 12-month period may register a rental vehicle tax free.

Permit holders who register a vehicle tax-free establish a minimum tax liability equal to the sales tax that would have been due if the vehicle had not been registered tax free. These permit holders must collect and remit an amount at least equal to the sales tax that would have been due if the vehicle had not been registered tax-free. Otherwise, when the vehicle is removed from rental service, the title owner owes the balance between the tax collected and the established minimum tax liability.

All other rental permit holders must pay the 6.25 percent motor vehicle sales tax at

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the time of registration. From the rental tax collected, those permit holders may reimburse themselves the amount of sales tax paid to the county at the time of registration.

Exempt Rentals

There's no gross rental receipts tax imposed if the vehicle is rented:

- to a public agency;
- for re-rental (a rental to another rental company);
- to a church if the vehicle is designed to carry more than six passengers and the primary use is transportation to and from church services or religious meetings;
- as a self-propelled motor vehicle converted into a farm or timber machine, or a trailer or semitrailer rented for use on a farm, ranch or in timber operations; or
- to certain child care facilities licensed under Human Resources Code Chapter 42 that are licensed to provide 24-hour residential care in a single residential group both to children who do not require specialized services or treatment and children who are emotionally disturbed, if the vehicle is used primarily in transporting the children who reside in the facility.

For more information on motor vehicle rental tax, see the Comptroller's Publication 96-143, *Motor Vehicle Rental Tax Guidebook*.

Leased Vehicles

A lease occurs when the owner offers exclusive use of a motor vehicle to another for a fee under a single contract for more than 180 days.

Lease payments are not taxed in Texas. The lessor pays 6.25 percent motor vehicle sales tax when the vehicle is purchased and titled in Texas. The taxable value of private-party purchases of leased (used) motor vehicles may be based on 80 percent of the SPV.

If a vehicle is purchased and leased outside Texas and brought into the state for use on public highways by a Texas resident, 6.25 percent motor vehicle use tax is due and paid to the county tax assessor-collector at the time of titling and registration. The taxable value of private-party purchases of used motor vehicles may be based on 80 percent of the SPV.

Sales and use taxes legally paid to another state by the lessor or the lessee prior to the vehicle's registration in Texas can be credited toward the use tax due.

A new resident who leases a motor vehicle out of state and brings it into Texas for use on public highways owes a \$90 new resident use tax, not the 6.25 percent use tax.

State and Local Sales and Use Tax

Motor Vehicle Accessories

Accessories purchased to be added to a motor vehicle after the sale of the motor vehicle



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are subject to the 6.25 percent state sales and use tax, plus any applicable local taxes. Accessories include items such as refrigeration units, side view mirrors, winches and stereos. Charges for installation labor by the seller of the accessories are also subject to these taxes.

Moving Equipment

Towbars, detachable rearview mirrors, cartop carriers, furniture pads and hand trucks are subject to the 6.25 percent state sales and use tax, plus any applicable local taxes.

Movable Specialized Equipment

Equipment designed and built to perform a specialized function that does not include transporting property or moving persons other than the driver is subject to the 6.25 percent state sales and use tax, plus any applicable local taxes. This kind of specialized equipment includes such items as motorized cranes, bulldozers and air compressors.

Need More Assistance?

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