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# Chapter 1

## Introduction

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### General Information

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The motor vehicle sales and use tax is levied on the following:

- the retail sale of every motor vehicle sold in Texas
- the even exchange of vehicles
- motor vehicles purchased at retail sale outside the state and brought into the state and used on the public highways
- vehicles brought into the state by new residents
- the gift of a motor vehicle

Motor vehicle sales and use tax is collected by the tax assessor-collector in each county at the time the vehicle is titled and/or registered. Motor vehicle purchasers are required to pay the tax. Since January 1, 1996, however, a seller who is a licensed motor vehicle dealer must collect the tax from the purchaser and remit it to the county tax assessor-collector, unless an exclusion applies. A dealer is not required to collect tax on the sale of a motor vehicle with a gross weight in excess of 11,000 pounds. If the dealer does not collect the motor vehicle tax, the dealer must provide the purchaser with Form 130-U signed by both the dealer and purchaser.



The Comptroller's office has supervision over the motor vehicle tax and is responsible for furnishing rules and regulations to county tax assessor-collectors to ensure the tax can be applied consistently.

The major difference between auditing for limited sales tax and motor vehicle sales tax is that neither the seller nor the purchaser of a motor vehicle files a return directly with the Comptroller's office. Instead, Form 130-U, Application for Texas Title and/or Registration, promulgated jointly by the Comptroller and TxDMV is completed and signed by both the buyer and seller for each retail sale, gift or even exchange and presented to the county tax assessor-collector's office.

**Note:**

A Texas licensed motor vehicle dealer may purchase vehicles for resale without an application for Texas title, but must issue Form 14-313, Texas Motor Vehicle Sales Tax Resale Certificate to the selling dealer. A one-time "blanket" certificate may be issued.

**Motor Vehicle Resale Certificate**

	14-313 (Rev. 12-95/2)		PRINT FORM	CLEAR FIELDS
<b>TEXAS MOTOR VEHICLE SALES TAX RESALE CERTIFICATE</b>				
Name of purchaser, firm or agency		Dealer number		
Address (Street & number, P.O. Box or Route number)		Daytime phone (Area code and number)		
City, State and ZIP code				
I, the purchaser named above, claim the right to make a non-taxable purchase for resale of the motor vehicle described below:				
Vehicle identification number		Make of vehicle		Year model
Seller				
Street Address				
City, state and ZIP code				
Purchaser claims this vehicle is being purchased for resale purposes <u>ONLY</u> .  I understand that I will be liable for payment of motor vehicle sales or use taxes which may become due if I fail to comply with the provisions of the Tax Code: Chapter 152. Taxes on Sale, Rental, and Use of Motor Vehicles.  <i>I understand that it is a criminal offense to give a Texas Motor Vehicle Sales Tax Resale Certificate to the seller for a motor vehicle that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate and that the offense is a felony punishable by imprisonment for not less than two nor more than five years or a fine of not more than \$1,000, or both.</i>				
Purchaser 		Title		Date
This certificate should be furnished to the seller. Do <b>not</b> send the completed certificate to the Comptroller of Public Accounts.				

**Audit Areas**

The major categories of taxpayers of motor vehicle tax audits include the following:

**Motor Vehicle Dealers and Purchasers**

A licensed motor vehicle dealer must collect the tax from the purchaser and remit it to the tax assessor-collector, unless an exclusion applies. Dealers will be held liable for tax, penalty and interest due to discrepancies in the records. For more information see § 152.063, §152.0635 and Rule 3.74.

**County Tax Assessor-Collectors**

The Comptroller’s office periodically reviews the tax receipts of each county to determine that all tax collected is remitted to the state. County tax assessor-collectors will be held liable for tax collected but not remitted. Penalty or interest will not be assessed.

## Source Documents

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### **Application for Texas Title and/or Registration Form 130-U**

The Texas Department of Motor Vehicles (TxDMV's) requires Form 130-U to apply for title and/or registration. The Comptroller's office requires Form 130-U to pay motor vehicle tax or claim an exemption. The form must be signed by both the dealer and the purchaser. Effective September 1, 2017, private-party transactions (not involving a dealer) do not require Form 130-U as long as the seller has properly reassigned the title.

Form 130-U must be completed for all of the following:

- retail sales
- even trades
- gifts
- exempt sales
- motor vehicles purchased at retail sale outside Texas for use in Texas
- motor vehicles brought into Texas by new Texas residents

In the first four cases above, the previous owner (seller) and new owner (purchaser) must sign Form 130-U attesting that all facts on the form are true, unless the sale is a private-party transaction occurring on or after September 1, 2017. In the final two cases, only the purchaser's signature is necessary. Evidence of sales price is required on an out of state purchase and includes a signed bill of sale or similar document.

The Form 130-U will provide the following information:

- assessor-collector's transaction ID#
- Texas dealer number (GDN)/rental number, if applicable
- vehicle description
- license plate number
- lienholder information, if applicable
- sales price
- trade-in value and description, if applicable
- fair market value deduction, if applicable
- amount of tax due
- if an exempt transaction, reason for exemption
- seller's address and signature
- purchaser's name and address

County tax assessor-collectors use Form 130-U to determine the tax due and complete the tax receipt issued to the new owner. Title applications are forwarded to TxDMV each day. TxDMV processes and issues the titles and sends the source documents to a contracted company to be microfilmed. It also retains the microfilm records, including both Form 130-U and the tax receipt.

In many instances when a used motor vehicle is sold in a private-party transaction, the new buyer fails to title or register the vehicle in his/her name or pay the applicable motor vehicle taxes. TxDMV recommends that the previous owner (seller) submit a written vehicle transfer notification directly with TxDMV when selling or trading in a vehicle by using TxDMV Form VTR-346 (Revised 8/2016). The form may be submitted online using TxDMV's website. TxDMV will update the vehicle record to show that the vehicle was sold and the date of the transfer. The VTR-346 should be submitted before the 30th day after the date on which the new buyer took possession of the vehicle. Auditors may use this information to help establish the date of sale.

**Application for Texas Title and/or Registration**

Application for Texas Title and/or Registration						
Applying for (please check one): <input type="checkbox"/> Title & Registration <input type="checkbox"/> Title Only <input type="checkbox"/> Registration Purposes Only <input type="checkbox"/> Nontitle Registration				TAX OFFICE USE ONLY		
For a corrected title or registration, check reason: <input type="checkbox"/> Vehicle Description <input type="checkbox"/> Add/Remove Lien <input type="checkbox"/> Other: _____				County: _____ Doc #: _____ <input type="checkbox"/> SPV <input type="checkbox"/> Appraisal Value \$ _____		
1. Vehicle Identification Number	2. Year	3. Make	4. Body Style	5. Model	6. Major Color	7. Minor Color
8. Texas License Plate No.	9. Odometer Reading (no tenths)	10. This is the Actual Mileage unless the mileage is: <input type="checkbox"/> Not Actual <input type="checkbox"/> Exceeds Mechanical Limits <input type="checkbox"/> Exempt		11. Empty Weight	12. Carrying Capacity (if any)	
13. Applicant Type <input type="checkbox"/> Individual <input type="checkbox"/> Business <input type="checkbox"/> Government <input type="checkbox"/> Trust <input type="checkbox"/> Non-Profit				14. Applicant Photo ID Number or FEIN/EIN		
15. ID Type <input type="checkbox"/> U.S. Driver License/ID Card (issued by: _____) <input type="checkbox"/> NATO ID <input type="checkbox"/> U.S. Dept. of State ID <input type="checkbox"/> Passport (issued by: _____) <input type="checkbox"/> U.S. Military ID <input type="checkbox"/> U.S. Dept. of Homeland Security ID <input type="checkbox"/> U.S. Citizenship & Immigration Services/DOJ ID <input type="checkbox"/> Other Military Status of Forces Photo ID						
16. Applicant First Name (or Entity Name)		Middle Name	Last Name	Suffix (if any)		
17. Additional Applicant First Name (if applicable)		Middle Name	Last Name	Suffix (if any)		
18. Applicant Mailing Address			City	State	Zip	19. Owner County of Residence
20. Previous Owner Name (or Entity Name)		City	State	21. Dealer GDN (if applicable)	22. Unit No. (if applicable)	
23. Renewal Recipient First Name (or Entity Name) (if different)		Middle Name	Last Name	Suffix (if any)		
24. Renewal Notice Mailing Address (if different)			City	State	Zip	
25. Applicant Phone Number (optional)		26. Email (optional)			27. Registration Renewal eReminder <input type="checkbox"/> Yes (Provide Email in #26)	
28. Vehicle Location Address (if different)			City	State	Zip	
29. Multiple (Additional) Liens <input type="checkbox"/> Yes (Attach Form VTR-267)		30. Electronic Title Request <input type="checkbox"/> Yes (Cannot check #29)		31. Certified/eTitle Lienholder ID Number (if any)		32. First Lien Date (if any)
33. First Lienholder Name (if any)		Mailing Address	City	State	Zip	
34. Check only if applicable: <b>MOTOR VEHICLE TAX STATEMENT</b> <input type="checkbox"/> I hold Motor Vehicle Retailer's (Rental) Permit No. _____ and will satisfy the minimum tax liability (V.A.T.S., Tax Code §152.046(c)) <input type="checkbox"/> I am a dealer or lessor and qualify to take the Fair Market Value Deduction (V.A.T.S., Tax Code, §152.002(c)). GDN or Lessor Number _____						
35. Trade-In (if any)		Year	Make	Vehicle Identification Number		36. Additional Trade-In(s) <input type="checkbox"/> Yes
37. Check only if applicable: <b>SALES AND USE TAX COMPUTATION</b>						
<input type="checkbox"/> (a) Sales Price (\$ _____ rebate has been deducted) \$ _____ <input type="checkbox"/> \$90 New Resident Tax – (Previous State) _____ (b) Less Trade-in Amount, described in Item 35 above \$ ( _____ ) <input type="checkbox"/> \$5 Even Trade Tax (c) For Dealers/Lessors/Rental ONLY – Fair Market Value Deduction, described in Item 35 above \$ ( _____ ) <input type="checkbox"/> \$10 Gift Tax – Use Comptroller Form 14-317 <input type="checkbox"/> \$65 Rebuilt Salvage Fee (d) Taxable Amount (Item a minus Item b or Item c) \$ _____ <input type="checkbox"/> 2.5% Emissions Fee (Diesel Vehicles 1996 and Older > 14,000 lbs.) _____ (e) 6.25% Tax on Taxable Amount (Multiply Item d by .0625) \$ _____ <input type="checkbox"/> 1% Emissions Fee (Diesel Vehicles 1997 and Newer > 14,000 lbs.) _____ (f) Late Tax Payment Penalty <input type="checkbox"/> 5% or <input type="checkbox"/> 10% \$ _____ <input type="checkbox"/> Exemption claimed under the Motor Vehicle Sales and Use Tax Law because: (g) Tax Paid to _____ (STATE) \$ _____ (h) AMOUNT OF TAX AND PENALTY DUE \$ _____ <input type="checkbox"/> \$28 or \$33 Application Fee for Texas Title (Item e plus Item f minus Item g) \$ _____ (Contact your county tax assessor-collector for the correct fee.)						
<b>CERTIFICATION – State law makes falsifying information a third degree felony</b>						
I hereby certify all statements in this document are true and correct to the best of my knowledge and belief, and I am eligible for title and/or registration (as applicable).						
Signature(s) of Seller(s), Donor(s), or Trader(s)			Printed Name(s) (Same as Signature(s))		Date	
Signature of Applicant/Owner			Printed Name (Same as Signature)		Date	
Signature(s) of Additional Applicant(s)/Owner(s)			Printed Name(s) (Same as Signature(s))		Date	

### **Tax Assessor-Collector's Receipt — Title Application Receipt**

The TxDMV Registration and Title System (RTS) allows county tax assessor-collector employees to directly enter motor vehicle title applications. The application information is taken from Form 130-U. The employee enters the information obtained from Form 130-U, collects motor vehicle sales and use taxes and provides the purchaser with an RTS receipt.

The title application receipt is a numbered receipt issued by a county tax assessor-collector. It serves as both a tax receipt and a receipt for title application and/or registration. RTS receipts are identified by transaction ID numbers and are issued throughout the state as needed. A central computer in Austin generates the numbers as the various counties access them. Each transaction ID number contains 17 digits.

Example:

101 361 35926 145032

Breakdown:

- 3-digit county code
- 3-digit workstation ID
- Gregorian date (number of days since 01/01/1900)
- military time (hour, minute and second)

Information on a Title Application Receipt:

- purchaser's name and address
- description of the vehicle titled or registered
- lienholder's information, if applicable
- date of issuance
- county in which the receipt is issued
- name of the tax assessor-collector
- ID number of the deputy issuing the receipt
- previous owner's name
- sales price
- trade-in VIN and allowance
- amount of tax collected

TxDmv also has a webDEALER application that allows dealers to submit title work electronically to county offices. Transactions include scanned images of the required documents necessary to process the title application. After the title application is approved by the county, a copy of the county approved final receipt can be printed by the dealer and will contain a bar code at the top along with the webDEALER title ID number and document number. For more information, go to TxDMV's website and read the webDEALER Dealer User Guide.

### **Title History**

TxDmv can supply title histories. The auditor may request this during an audit as it shows all the title activity on a particular vehicle beginning with a manufacturer's statement of origin (MSO) or the first titling of a vehicle brought into this state. A title history includes the following:

- titles issued showing assignments from one owner to another
- Application for Texas Title and/or Registration (Form 130-U)
- lienholder information
- title application receipt




To order title histories, complete a “request for Texas motor vehicle information” (TxDMV Form VTR-275) and attach an Excel spreadsheet with a list of vehicles. This list must include the following:

- purchaser name
- VIN number
- year/make/model

The auditor should forward this information to his or her supervisor who will then forward to the subject-matter expert on motor vehicle tax in audit headquarters.

Note: TxDMV Form VTR-275 can be downloaded from the TxDMV website at the following link: [http://www.txdmv.gov/publications-tac/doc\\_download/1006-vtr-275-request-for-texas-motor-vehicle-information](http://www.txdmv.gov/publications-tac/doc_download/1006-vtr-275-request-for-texas-motor-vehicle-information)



Texas Department  
of Motor Vehicles

## Request for Texas Motor Vehicle Information

Form VTR-275  
(Rev. 09/11)  
Page 1 of 2

The Driver Privacy Protection Act restricts access to personal information on vehicle title and registration records. **Your signature and a copy of your current government issued photo identification** are required with this application to certify that the statements are true and correct for the described vehicle.

I am the current recorded owner or lienholder of the vehicle.

Written authorization is attached from the person(s) listed as the recorded owner, lienholder or previous owner.

My authority to obtain vehicle information is shown as a Permitted Use on page 2 – initial the appropriate line and check the applicable box on page 2 (you must sign the statement below).

APPLICANT INFORMATION - Type or print			
Last Name or Business Name	First Name	Middle Initial	
Address	City	State	ZIP / Postal Code
Day Phone	E-mail		
GOVERNMENT ISSUED PHOTO IDENTIFICATION - SUBMIT PHOTOCOPY			
Entity Issuing ID and Type (i.e., TX Driver License, US Passport, etc.)	Government Photo ID Number	Expires	
VEHICLE INFORMATION			
Texas License Plate	Year	Make	
Vehicle Identification Number	Title Document Number		

If you are not the owner/lienholder, initial a **Permitted Use** on page 2 - unless you have written authorization.

<input type="checkbox"/> Title history .....	\$5.75
<input type="checkbox"/> <u>Certified</u> title history .....	\$6.75
<input type="checkbox"/> Title and registration verification of a vehicle record (current or expired) .....	\$2.30
<input type="checkbox"/> <u>Certified</u> title and registration verification of a vehicle record - for court use .....	\$3.30
<input type="checkbox"/> Duplicate registration receipt for current registration period .....	\$2.00
Other (explain) _____	[Fee varies]

**STATEMENT** - State law makes falsifying information on this application a third-degree felony.

I certify that the statements on this application are true and request that the TxDMV provide me with the requested information contained in the motor vehicle record for the vehicle indicated. In making this request, I also certify that the:

- Information requested is for a lawful and legitimate purpose and will be used only in accordance with [18 U.S.Code §§2721-2725 and Transportation Code, Chapter 730](#) (Driver Privacy Protection Acts).
- Personal information obtained pursuant to this request **will not** be used for marketing, solicitation or survey purposes, and
- I have not been convicted of a violation of either of the Driver Privacy Protection Acts, or violated a rule adopted by the department relating to the terms and conditions for release of personal information from vehicle records.

Name of Applicant – type or print \_\_\_\_\_ Date \_\_\_\_\_

Signature of Applicant \_\_\_\_\_

**Violators can be prosecuted under Transportation Code, Section 730.013 and Penal Code, Section 37.10.**

Send check, money order, or cashier's check with processing fee (no refunds) made payable to: TxDMV. Do not mail cash. Submit completed and signed form with copy of your government issued photo ID (and written authorization, if applicable) to: **TxDMV Vehicle Titles and Registration Division, Austin, TX 78779-0001** or visit a TxDMV Regional Service Center for assistance.

**FORM VTR-275 Page 1 of 2**

**Online Form at [www.TxDmv.gov](http://www.TxDmv.gov)**

## Definitions

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### **Assigned Title**

When the previous owner of a motor vehicle (or his/her power of attorney) has signed the back of a title **and** indicates the name the person to whom the vehicle is being transferred.

### **Certificate of Title**

TxDMV issues the certificate of title. The original, blue copy becomes the owner's copy when the vehicle is paid off.

### **Dealer**

A dealer is a person, firm or corporation licensed under Occupations Code Chapter 2301 for the purpose of regularly and actively engaging in the business of buying, selling or exchanging motor vehicles as a primary business function, who separately sells at least five different motor vehicles during any 12-month period. Dealers licensed under Transportation Code Chapter 503, Subchapter B, include the following:

- dealers authorized by law and franchise agreement to offer new motor vehicles for sale
- independent dealers authorized by law to offer motor vehicles other than new vehicles for sale
- wholesale dealers
- wholesale auction dealers
- motorcycle dealers
- house-trailer dealers
- trailer or semi-trailer dealers

### **Draft**

A draft is a means of securing payment for the seller. The negotiable title or the lienholder's copy of the VTR-500-RTS receipt showing the name of the lienholder is enclosed in the draft envelope. Upon approval, the lienholder directs a financial institution to pay the amount to the seller. The draft is drawn up by the seller who takes it to his/her bank, which then directs the draft to the lienholder's bank for payment. Drafts are handled similarly except credit is not given until the draft is accepted by the payor.

### **Floor Plan**

A method by which a dealer finances his inventory of motor vehicles. The dealer is required to pay only a percentage of the cost of a vehicle, with a financial institution providing the balance. The financial institution is paid when a vehicle is sold.

### **Franchised Dealer**

A dealer who holds a franchise agreement with a motor vehicle manufacturer or distributor to sell new cars for a particular make, such as Ford, Chevrolet or Toyota.

### **Holdback**

A reduction of a vehicle's cost to the dealer, which is held by the original manufacturer until the end of the year. The invoice will show the dealer cost plus the amount of holdback. The dealer must pay the dealer cost when the invoice is due but eventually will receive the amount of holdback.

### **Independent Dealer**

A dealer who is not a franchised motor vehicle dealer, an independent mobility motor vehicle dealer, or a wholesale motor vehicle dealer. Usually a used car dealer.

### **Manufacturer**

A person regularly engaged in the business of manufacturing or assembling new motor vehicles.

**Manufacturer's Statement of Origin (MSO)**

A document generated by the original motor vehicle manufacturer showing the date of manufacture, the serial number assigned to the vehicle and other pertinent information pertaining to the vehicle. The MSO is surrendered to the county tax assessor when application for title is made. This is also referred to as a manufacturer's certificate of origin (MCO).

**Negotiable Title**

A title free of liens or other encumbrances that can be transferred freely.

**Non-Negotiable Title**

A duplicate of a negotiable title with the words "Non-Negotiable" printed on the face. If a lien has been placed on a vehicle, the lienholder gets the negotiable title and the owner gets the non-negotiable title, which serves to show ownership but cannot be transferred.

**Open Title**

When the previous owner of a motor vehicle (or his/her power of attorney) has signed the back of a title but has not filled in the name of the person to whom the vehicle is to be transferred.

**Overallowance**

When stating a price to a customer, a dealer may inflate both the sales price and the trade-in allowance by the same amount. The transaction normally will be booked at the lower amounts. We are concerned only with the taxable difference, which should be the same in both instances.

**Payoff**

The net unpaid balance on a motor vehicle due to a lienholder.

**Related Finance Company (RFC)**

An RFC is a person with at least 80 percent of the ownership that is identical to the ownership of the seller-financed dealer.

**Retail Sale**

A retail sale is the sale of a motor vehicle other than a sale for resale or a sale for lease. A retail sale includes the transfer of a motor vehicle for no consideration to a non-qualifying gift recipient.

**Roll-Out (Turnkey)**

The total amount paid by the customer, including tax, title, license fee and documentary fees.

**Sale**

A sale is the transfer of a motor vehicle through credit sales, exchange of property for services or money, or a gift to a non-qualifying recipient.

**Sale for resale**

The sale of a motor vehicle to a purchaser who acquires the motor vehicle either for the exclusive purpose of sale in a manner provided by law, or for purposes allowed by the Texas Department of Motor Vehicles under Transportation Code, Chapter 503, when the purchaser is a distributor, a manufacturer, a franchised motor vehicle dealer who is authorized by law and by a franchise agreement to offer a motor vehicle for sale as a new motor vehicle, or an independent motor vehicle dealer who is authorized by law to offer a motor vehicle for sale as a used motor vehicle.

***Seller-Financed (Buy Here, Pay Here) Dealer***

A dealer who finances the sales of motor vehicles from its own inventory.

***Standard Presumptive Value (SPV)***

The private-party transaction value of a motor vehicle as determined by TxDMV, based on the appropriate regional guidebook of a nationally recognized motor vehicle value guide service or based on another motor vehicle guide publication that TxDMV determines is appropriate if a private-party transaction value for the motor vehicle is not available from a regional guidebook.

***Stock Number***

The inventory control number assigned to new or used vehicles by a dealer.

***Third-Party Trade-In***

This occurs when a customer purchases a new vehicle and sells their vehicle directly to a third party rather than trading it to the dealer at the time of sale. This type of trade-in cannot reduce the amount subject to tax. Form 130-U may list the vehicle as a trade-in towards the purchase price of the new vehicle, thus reducing the customer's tax liability.

***Title Application Receipt***

A receipt issued by county tax assessor-collectors that serves as proof of application for title and/or registration and payment of motor vehicle tax.

***Trade-In Allowance***

The dollar amount the seller allows as credit against the purchase price of the new vehicle purchased at the time the trade-in occurred. Tax is computed on the trade difference without consideration of any payoff.

***T,T,L***

Tax, title and license.

***VIN***

The Vehicle identification number (VIN) is the identifying code for a specific automobile containing 17 characters (digits and capital letters), which acts as a unique identifier to every motor vehicle.

***Wholesale Sale***

Sale by a dealer to another dealer for resale.

**Total Consideration**

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Total consideration is the total amount paid or to be paid for a motor vehicle and all accessories attached to it at the time of the sale. The term "total consideration" includes anything given as payment and could include a boat, airplane, land, livestock, labor or the assumption of a lien. Motor vehicle tax is imposed on the total consideration paid or to be paid for a motor vehicle.

***Total Consideration Inclusions:***

The total consideration or sales price of the motor vehicle without deducting for the following:

- the cost of the motor vehicle;
- the cost of materials, labor, service, interest, loss or any other expense ("dealer prep");
- all accessories or attachments that are affixed to it at the time of sale;
- the cost of transportation of the motor vehicle prior to its sale or purchase; and
- any manufacturer's or importer's excise tax imposed on the motor vehicle by the U.S.

**Total Consideration Exclusions:**

The following can be deducted from the total consideration or sale price for purposes of computing motor vehicle tax:

- cash discounts allowed on a sale (not including a cash down payment, a cash payment for the vehicle or cash insurance proceeds toward the purchase of a vehicle);
- sales price of a motor vehicle returned by a customer when the full sales price is refunded either in cash or credit;
- the amount charged for labor or services rendered in installing, remodeling or repairing the motor vehicle sold;
- the amount charged for finance charges, carrying charges, service charges or interest from credit extended on sales of motor vehicles under conditional sales contracts or other contracts providing for deferred payments of the purchase price;
- the value of a motor vehicle taken in trade, as all or part of the consideration for the other motor vehicle;
- separately stated charges for preparing and processing documents related to the transfer of a motor vehicle, usually called a documentary fee;
- charges for transportation of the motor vehicle after the sale;
- charges for an extended service contract (warranty) or maintenance agreement;
- charges for roadside assistance programs, which are services performed after the sale, such as jumpstarting a battery, unlocking a door, changing a flat tire or providing towing;
- federal retail sales excise tax (imposed on heavy trucks often referred to as federal excise tax);
- reimbursement charges for the dealer's motor vehicle inventory tax if separately stated;
- manufacturer rebates; and
- a fee charged by the seller of a motor vehicle for a debt cancellation agreement.

**Debt Cancellation Agreement**

Effective September 1, 2009, the Finance Code allowed sellers of motor vehicles to charge a purchaser a fee for a debt cancellation agreement. If the vehicle sold is later destroyed or stolen, the purchaser is not obligated to pay the balance due on the vehicle. This fee is excluded from total consideration and is not subject to motor vehicle tax.

**Tax Imposed**

Sales tax is imposed on the retail sale of a motor vehicle. See §152.021

Use tax is imposed on motor vehicles brought into Texas for use. See §152.022

(b) The tax is 6 ¼ percent of the total consideration. SPV procedures may apply.

Historical tax rates:

- 07-01-71 through 07-31-84 — 4.00 percent
- 08-01-84 through 08-31-87 — 5.00 percent
- 09-01-87 through 08-31-91 — 6.00 percent
- 09-01-91 through Present — 6.25 percent

In addition, a Texas Emission Reduction Plan (TERP) surcharge is paid, calculated, collected, and remitted in the same manner as tax on every retail sale, lease, or use of on road diesel-powered motor vehicles with a gross vehicle registered weight of more than 14,000 pounds (§152.0215, Texas Emissions Reduction Plan Surcharge).

- Since July 1, 2003, a two-tier surcharge is assessed on the total consideration paid for new and used vehicles:
  - » a 2.5 percent surcharge on vehicles of model year 1996 and earlier.
  - » a 1 percent surcharge on vehicles of model year 1997 and later

- Effective September 1, 2005, the surcharge was excluded from non-commercial recreation vehicles.
- Prior to January 3, 2002, a 2.5 percent surcharge was assessed on the total consideration paid for vehicles purchased in Texas of model year 1996 and earlier. The TERP surcharge did not apply to vehicles purchased out of state and brought in to Texas for use.

The TERP surcharge may not be offset by sales or use tax paid to another state. It is effective until August 31, 2019, when it is scheduled to expire.

As of June 17, 2011, a person who registers or renews the registration of a motor vehicle in Texas may contribute \$5 or more to the Texas Parks and Wildlife Department. Other programs include the Young Farmers loan guarantee program and Veterans' Assistance Fund. Tax is not imposed on these contributions.

## Standard Presumptive Value (SPV) Procedures

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Standard presumptive value is the private-party transaction value of a motor vehicle, as determined by TxDMV based on the appropriate regional guidebook of a nationally recognized motor vehicle value guide service or based on another motor vehicle guide publication that TxDMV determines is appropriate if a private-party transaction value for the motor vehicle is not available from a regional guidebook. A private-party transaction is a retail sale of a motor vehicle in which neither the buyer nor the seller of the motor vehicle is a motor vehicle dealer.

When a motor vehicle is sold by someone other than a motor vehicle dealer, and the vehicle is under 25 years old, tax is calculated on the greater of the sales price or 80% of the SPV.

If the amount paid is less than 80% of the motor vehicle's standard presumptive value, the purchaser may establish the taxable value of the motor vehicle by substituting a certified appraisal, provided the certified appraisal is not less than the amount paid for the motor vehicle.

The purchaser must obtain and present a valid certified appraisal to the county tax assessor-collector on Form 14-128, Texas Used Motor Vehicle Appraisal Form within 30 calendar days after the date of the purchase or after bringing the vehicle into Texas for use (60 calendar days for military).

A purchaser can get a certified appraisal in one of two ways:

- from a licensed Texas motor vehicle dealer
- from an insurance adjuster

A Texas motor vehicle dealer may charge a fee

- no less than \$100 and no more than \$300 for a certified appraisal of a motor vehicle
- no less than \$100 and no more than \$500 for a certified appraisal of house trailer, travel trailer or motor home

A motorcycle dealer may charge a fee of no less than \$40 and no more than \$300 for a certified appraisal of a motorcycle.

An insurance adjuster may charge a fee as determined by the adjuster for any type of unit being appraised.

The SPV does not apply to the following type of transactions:

- vehicles received in an even exchange or trade (Tax Code §152.024)
- vehicles received as a gift (Tax Code §152.025)
- vehicles acquired through a mechanic's lien (Property Tax Code, Chapter 70)
- vehicles acquired through a storage lien (Occupations Code, Chapter 2303)
- vehicles acquired as an abandoned or abandoned nuisance vehicles (Transportation Code, Chapter 683)

- vehicles eligible for a specialty license plate, such as a classic motor vehicle (Transportation Code §504.501)
- vehicles sold by a governmental entity at a public auction

## General Collection Procedure

The tax assessor-collector of the county in which Form 130-U is presented shall collect the tax from the vehicle's purchaser or operator (Tax Code §152.041).

A tax is imposed on every retail sale of every motor vehicle sold in this state. Except as provided by §152.069, the tax is an obligation of and shall be paid by the purchaser of the motor vehicle. (Tax Code §152.021).

A use tax is imposed on a motor vehicle purchased at retail sale outside this state and used on the public highways of this state by a Texas resident or other person who is domiciled or doing business in this state. (Tax Code §152.022).

Tax is based on the total consideration or sales price, less any trade-in or credit for tax paid to another state. (Tax Code §152.001 and Rule 3.61).

The motor vehicle tax is due within 30 calendar days after the date of sale or 30 calendar days after the motor vehicle is brought into Texas for use (60 calendar days for military). (Rules 3.74 and 3.68).

Motor vehicle sales and use tax not paid timely is subject to a 5% penalty. Taxes paid after 30 days are subject to an additional 5% penalty. The minimum penalty imposed is \$1. (Tax Code §152.066).

### Note:

Prior to January 1, 2012, the motor vehicle tax was due by the 20th county working day after the date of sale or after bringing the vehicle into Texas for use (60 calendar days for military). For more information, see House Bill 2357 passed by the 82nd Legislature.

As of January 1, 2008 (House Bill 481), the use tax for active military personnel became due within 60 calendar days after the date the vehicle was first used in Texas if the purchaser was a member of the following:

- The U.S. armed services;
- the Texas National Guard;
- the National Guard of another state serving on active duty under an order of the U.S. president; or
- a reserve component of the U.S. armed forces serving on active duty under an order of the U.S. president.

If the purchaser does not file Form 130-U within the allowable period, the purchaser may also be liable for the late fee imposed by TxDMV and paid to the county tax assessor-collector when Form 130-U is filed.

Effective January 1, 2008, TxDMV's late fee is:

- \$10 if the purchaser is a motor vehicle dealer and has a general distinguishing number; or
- \$25 if the purchaser is not a motor vehicle dealer. If the application is filed after the 31st working date after the purchaser took possession of the vehicle, there is an additional late fee of \$25. In addition, the purchaser accrues an additional penalty of \$25 for each subsequent 30-day period or portion of a 30-day period in which the application is not filed. The late fee may not exceed \$250.

TxDMV's late transfer fee does not apply to motor vehicles eligible for classic vehicle license plates under Transportation Code §504.501 or antique vehicle license plates under §504.502.

A county assessor-collector or TxDMV may refuse to register a motor vehicle if they receive information that the owner of the vehicle either owes past due fine, fee or tax or has failed to appear in connection with



a complaint, citation, information or indictment in a court in the county in which a criminal proceeding is pending against the owner. The county tax assessor-collector may still collect the tax for the transaction.

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## Documentary Fees

A separately stated charge for the preparation and processing of documents relating to the transfer of a motor vehicle (usually called a “documentary fee”) is not part of the total consideration paid for the motor vehicle and is not subject to motor vehicle tax.

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## Rebates

Both manufacturer’s and dealer’s rebates passed directly to the customer should be deducted from the total consideration or sales price when computing the taxable value of a vehicle. The rebates do not need to be in the form of cash and may be assigned to the dealer.

When a manufacturer provides a rebate to a selling dealer and the rebate, or any portion of it, is passed to the customer and can be identified as a rebate, it should be considered a cash discount and deducted from the total consideration or sales price.

Factory and dealer rebates passed on to customers should be shown on Form 130-U and the title application tax receipt. The amount of the rebate should be included on Form 130-U, line 37(a) and will be subtracted from the sales price.

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## Lien Assumptions

Motor vehicle tax is due from any person assuming an existing lien on a motor vehicle. The taxable amount is the greater of the lien assumed (commonly called “net payoff”). SPV procedures may apply. If the person assuming the lien pays an amount in addition to the amount of the lien, however, tax is due on the total consideration, and SPV procedures may apply. A lien assumption between family members is subject to tax. Gift tax does not apply if a lien assumption exists.

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## Recording and Releasing Liens

A lien may be recorded or deleted by the vehicle title owner without motor vehicle tax being due. In this scenario, a retail sale has not occurred. If the title is reassigned (even to the same owner), a retail sale has occurred, and tax is due.

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## Motor Vehicle Definition

A motor vehicle is a vehicle described by Tax Code §152.001(3)(Definitions). In general, a motor vehicles includes a self-propelled vehicle designed to transport property upon the public highway and a vehicle designed to be towed by a self-propelled vehicle while carrying property.

The term includes, but is not limited to the following: automobiles, buses, vans, motor homes, motorcycles, trucks and truck tractors, truck cab and chassis, semitrailers, trailers and travel trailers as defined by Rule 3.72 (relating to Trailers, Farm Machines, and Timber Machines), trailers sold unassembled in a kit, dollies, jeeps, stingers, auxiliary axles, converter gears, and park models as defined by Rule 3.481 (relating to Imposition and Collection of Manufactured Housing Tax).

A motor vehicle does not include the following:

- devices moved only by human power
- devices used exclusively on stationary rails or tracks

- road building machinery
- mobile offices
- oilfield portable unit
- vehicles declared total losses by an insurance company pursuant to settlement or adjustment of a claim
- vehicles for which the certificate of title has been surrendered in exchange for:
  - » a salvage vehicle title issued pursuant to Chapter 501 of the Transportation Code
  - » a certificate of authority issued pursuant Chapter 683 of the Transportation Code (abandoned vehicle)
  - » a non-repairable vehicle title issued pursuant to Chapter 501 of the Transportation Code
  - » an ownership document issued by another state which is similar to any of the three titles listed above

**Note:**

Effective September 1, 2011, oilfield portable units are excluded from being taxed as motor vehicles. An oilfield portable unit is a bunkhouse, manufactured home, trailer or semi-trailer that is not a travel trailer, as defined by Transportation Code, §502.166(e), is designed to be used for temporary lodging or as temporary office space that is used exclusively at any oil, gas, water disposal or injection well site to provide well site employees, contractors or other workers with sleeping accommodations or temporary work space, including office space, and does not require attachment to a foundation or real property to be functional. The rental or lease of qualifying oilfield portable units are subject to general sales and use tax rather than motor vehicle or hotel occupancy taxes.

An oilfield portable unit would **not** include a travel trailer. In addition, the sale, rental or lease of bunkhouses, trailers, semi-trailers and manufactured houses used anywhere other than at a well site for sleeping accommodations or work space continue to be subject to motor vehicle, hotel occupancy and/or sales tax as applicable.

**Accessories Attached to a Motor Vehicle**

An accessory is non-essential tangible personal property attached to a motor vehicle for the convenience or comfort of the operator or passengers, or to assist or aid in the transportation, loading, or unloading of tangible personal property. An accessory can be an item such as a side-view mirror, a CB radio or a major piece of equipment such as a cement mixer or an oil-well servicing unit.

**Taxability**

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Motor vehicle tax is due on the total consideration paid or to be paid for a motor vehicle, including all accessories attached at the time of sale.

A motor vehicle and accessories sometimes are purchased separately, but combined before the vehicle is actually registered and tax is assessed. To determine the amount of tax due on a motor vehicle, it is necessary to determine what accessories were attached to the motor vehicle at the time of the sale.

Several combinations of circumstances can occur when a motor vehicle or accessories are purchased.

**Accessories Attached At the Time of Sale**

When a motor vehicle is purchased with accessories attached, motor vehicle tax is due on the total consideration or sales price.

A purchaser, for instance, orders a fully assembled truck with accessories attached. The purchaser must pay motor vehicle tax on the fully assembled truck and all attached accessories.

### **Separately Purchased Motor Vehicle and Accessories**

When a buyer purchases a motor vehicle and then makes a separate purchase of accessories, motor vehicle tax is due on the total consideration or sales price of the motor vehicle. However, limited sales and use tax is due on the sales price of accessories sold after the sale was complete. It doesn't matter if the motor vehicle and the accessories are purchased from different sellers or from the same seller at different times.

If a taxpayer purchases a truck chassis and a truck body from separate suppliers and assembles the truck or has it assembled, then the taxpayer pays motor vehicle tax on the total consideration paid for the truck chassis. Limited sales and use tax on the sales price of the truck body.

### **Accessories Added to a Completed Truck**

If the motor vehicle is sold **after** accessories have been attached, motor vehicle tax is due on the total consideration or sales price including the accessories.

### **Accessories Purchased to Combine into a Motor Vehicle**

A motor vehicle built from parts is commonly called a "homemade" or "shop-made" motor vehicle. The taxpayer must pay limited sales and use tax on each part, accessory, or incomplete kit ordered to build the vehicle. When parts and accessories are purchased to be combined into a motor vehicle and no single part or accessory is a motor vehicle by itself, motor vehicle tax is not due when the builder initially titles the motor vehicle.

Motor vehicle tax is due from the person who customer-orders a motor vehicle to be built because a retail sale has occurred. No motor vehicle tax is due when an individual purchases component parts and hires another person to assemble them into a motor vehicle.

#### **Note:**

The **only** time motor vehicle tax is **not** due on a "homemade" or "shop made" motor vehicle is when the vehicle is initially titled by the person who actually built it. Once a vehicle has been titled or registered by the person who built it, motor vehicle tax is due on all subsequent sales.

## **On-Road Vehicles**

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A street legal motor vehicle is designed for highway use and meets registration and safety requirements as a motor vehicle.

Mopeds, motorcycles, and autocycles that are designed and meet registration and safety requirements are motor vehicles and subject to motor vehicle tax. An off-road motorcycle or a motorcycle not meeting registration safety requirements is subject to limited sales and use tax even if a title is issued.

## **Off-Road Vehicle**

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An off-road vehicle is designed and used exclusively off public streets and highways and does not meet registration and safety inspection requirements for a motor vehicle. Off-road vehicles are subject to limited sales tax.

Examples include the following:

- golf carts
- fork lifts
- go carts
- race cars
- all-terrain vehicles (ATVs)

- utility vehicles (UTVs) other types of vehicles which can be titled under the Texas Certificate of Title Act, but are not designed or intended by the manufacturer to meet registration and safety inspection requirements for motor vehicles

## Moveable Specialized Equipment

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Moveable specialized equipment includes units designed and built to perform a specific function. For example, a motorized crane with a half-cab for the driver/operator is a piece of moveable specialized equipment. Towable moveable specialized equipment includes a towable compressor, towable electric generators (such as with light standards) or a towable motorized crane. Moveable specialized equipment is subject to limited sales and use tax unless specifically exempted by Chapter 151.

## Motor Vehicles with Accessories Attached

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A motor vehicle will often have accessories or equipment attached to it that significantly modify the motor vehicle, enabling it to perform a specialized function.

For example, a flat-bed truck with an oil-well servicing unit attached or a trailer with a frac pump attached remains a motor vehicle for tax purposes.

Motor vehicles are subject to motor vehicle tax unless specifically exempted by Chapter 152. To determine the taxable amount paid for a motor vehicle with accessories or equipment attached, begin by determining what accessories or equipment were attached to the motor vehicle at the time of the sale.

## Effect of Titling and Registration

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Whether or not a particular piece of equipment is taxed as moveable specialized equipment or a motor vehicle is determined by the criteria discussed in this section. The type of titling and/or registration required by TxDMV does not determine tax liability.

For tax purposes, it's often necessary to distinguish between nearly identical pieces of equipment with the same use. For example, frac pumps (frac trailers) are taxed as motor vehicles while workover rigs are taxed as moveable specialized equipment and thus subject to limited sales and use tax. The unit's actual design and construction, rather than its use, determines the applicable tax regardless of the type of plate displayed.

## Trailers

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### ***House Trailer/Travel Trailer***

The term "house trailer" includes a travel trailer, park model and a bunkhouse.

The term does **not** include manufactured housing.

A house trailer is a vehicle without automotive power that has the following characteristics:

- built on a permanent chassis with wheels, axles and a towing device;
- designed so it can be drawn on the highway by a motor vehicle;
- designed so it can serve as a temporary dwelling or for eating, sleeping, a place of business or a place for storage wherever parked;
- not designed as a year-round single family residence requiring a HUD label for manufactured housing;
- may consist of more than one unit that can be joined together or assembled at the location where it is parked for use; and
- may be self-contained and/or require connection to outside utilities and plumbing

A park model is a trailer designed to be used for human habitation, with or without a permanent foundation, when connected to the required utilities, and that is less than eight feet six inches in width and 45 feet in length in the traveling mode; includes the plumbing, heating, air conditioning and electrical systems; and is not required to be affixed with a label or decal issued by the U.S. Department of Housing and Urban Development and by the Texas Department of Housing and Community Affairs.

### **Portable and Prefabricated Buildings**

Portable and prefabricated buildings:

- manufactured at a location other than that of its intended use;
- require a structure other than their own frames for support during transportation (lowboy trailer, trailer, truck, dolly, etc.);
- do not qualify for a U.S. Department of Housing and Urban Development (HUD) label or a decal issued by the Texas Department of Labor and Standards; and
- are designed so they can be carried from site to site and used as a dwelling, for storage or as a place of business when placed on or attached to realty.

An example would be a mobile office.

### **Bunkhouse**

A bunkhouse is a house trailer designed to be used as a sleeping place for a group or crew, but not as a single-family residence.

### **Manufactured Housing**

Manufactured housing must have the following characteristics:

- constructed on or after June 15, 1976, according to HUD rules;
- built on a permanent chassis;
- designed to be used as year-round, single-family residences;
- set up with or without a permanent foundation system when connected to the required utilities;
- transportable in one or more sections;
- at least eight body feet in width;
- at least 40 feet long;
- at least 320 feet square feet in area when erected on site;
- include plumbing, heating, air conditioning and electrical systems;
- not self-contained;
- requiring a HUD label; and
- built at a location other than the home site.

### **Taxability**

Trailers, house trailers, park models, travel trailers and bunkhouses are subject to motor vehicle tax.

Manufactured homes are taxed under the Texas Manufactured Housing Sales and Use Tax Act and are not subject to motor vehicle tax. For more information, refer to Chapter 158 and Rule 3.481.

Mobile offices, oilfield portable units, portable buildings, prefabricated buildings, and ready-built homes as defined in Rule 3.306 are not considered motor vehicles. These units are taxed under Chapter 151, the Limited Sales, Excise and Use Tax.

### **Amount Subject to Tax**

A retail sale of a trailer is a taxable sale of a motor vehicle. Motor vehicle sales or use tax is due on the total consideration including charges for accessories attached at the time of sale and transportation prior to the sale.

Transportation charges after the sale (for transportation from a place of sale to a setup site) and installation or setup charges are not subject to the motor vehicle tax.

The rental of a trailer is also a taxable transaction. Gross rental receipts tax is due on the gross receipts charged on the rental of a motor vehicle including a trailer.

Tax liability is not determined by the type of registration and titling required by TxDMV.

### **Trailers and Semi-Trailers**

Trailer means a vehicle without automotive power that is designed for human habitation or for carrying property upon a permanent chassis with wheels, axles, and a towing device, and that is designed to be drawn by a self-propelled motor vehicle. The term includes, semitrailers, vans, flatbeds, tanks, dumpsters, trailers sold unassembled in a kit, dollies, jeeps, stingers, auxiliary axles, converter gears, bunkhouses, travel trailers, park models, and house trailers.

Farm trailer means a trailer or semitrailer designed and whose primary use is as a farm or ranch vehicle. The term does not include a motor vehicle designed for human habitation, including, but not limited to, any vehicle designed for sleeping, dressing, lounging, restroom use, or meal preparation, even though the vehicle may also be used to transport livestock or agricultural products.

Timber trailer means a trailer designed for and used primarily in a timber operation.

### **Taxability**

All trailers and semi-trailers, except farm trailers and timber trailers, are subject to motor vehicle sales or use tax or gross rental receipts . For more information on farm trailers and timber trailers, refer to Chapter 2, Exemptions and Rule 3.72.

Tax liability is not determined by the type of registration and titling required by TxDMV.

### **Gift Tax**

A gift is any transfer of a motor vehicle in which an eligible party receiving a vehicle does not pay any consideration.

A \$10 gift tax is imposed on a gift of a motor vehicle. The eligible person receiving the vehicle must pay tax to the county tax assessor-collector at the time the vehicle is titled and registered.

There are limits to the transactions that qualify as gifts of motor vehicles. The vehicle must be received from any of the following of the recipient:

- spouse (as separate property)
- parent, stepparent, guardian, foster parent
- father/mother-in-law
- son/daughter-in-law
- grandparent/grandparent-in-law, step-grandparent/step-grandparent-in-law, great-grandparent/great-grandparent-in-law
- grandchild/grandchild-in-law, great-grandchild/great-grandchild-in-law
- child or stepchild
- sibling
- brother-inlaw/sister-in-law
- decedent's estate

The following entities can qualify for gift tax as either a vehicle donor or recipient:

- certain Internal Revenue Code (IRC) Section 501(c)(3)-qualified nonprofit organizations
- certain living or revocable trusts

All other transactions without consideration are considered a retail sale of motor vehicle and SPV procedures may apply.

To document a qualifying gift of a motor vehicle, the donor and person receiving the vehicle must complete Form 130-U and Form 14-317, Affidavit of Motor Vehicle Gift Transfer, describing the transaction and the relationship between them. A person who has power of attorney for the recipient or donor may sign Form 14-317 as the recipient or donor.

Form 14-317 must be signed by either the recipient or donor in front of either a notary public or equivalent or an authorized county tax assessor-collector employee. A photocopy or facsimile of notarized signatures is acceptable for the non-appearing person.

Either the recipient or donor must file and present Form 14-317 in person to the county tax assessor-collector.

The person filing Form 14-317 must present current photo identification to the county tax assessor-collector.

Acceptable IDs are limited to one of the following:

- a driver's license or personal ID card from Texas or another U.S. state
- an original U.S. or foreign passport with current U.S. stamp
- an ID card or similar form of identification issued by the Texas Department of Criminal Justice
- a U.S. Military ID card
- an ID card or document issued by the U.S. Citizenship and Immigration Services


The required Comptroller affidavit is shown below.

Form 14-317 is available on the Comptroller's website: [comptroller.texas.gov/forms/14-317.pdf](http://comptroller.texas.gov/forms/14-317.pdf).

### ***Even Trade***

An even trade is an exchange of motor vehicles in which no consideration other than the vehicles themselves is involved.

More than one vehicle can be exchanged for one or more vehicles if the net value to both parties remains the same.



14-317  
(Rev.2-17/7)

### Affidavit of Motor Vehicle Gift Transfer

*(Must be filed in person by recipient or donor. See instructions.)*

PRINT FORM

CLEAR FIELDS

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

**DO NOT SEND TO THE COMPTROLLER'S OFFICE.**

A reproduced copy of the non-appearing party's notarized signature is acceptable. Tax Code Section 152.101 provides a penalty to a person who signs a false statement. An offense under this section is a felony of the third degree.

**Vehicle Information**

Year	Model	Make	Vehicle Identification Number (VIN)

To qualify for the gift tax, a motor vehicle must be received from one of the following eligible parties as defined by Tax Code Section 152.025(a).  
**Check applicable box:**

<input type="checkbox"/> Parent/Stepparent or Father/Mother-in-Law	<input type="checkbox"/> Child/Stepchild or Son/Daughter-in-Law	<input type="checkbox"/> Spouse <small>(Vehicle previously held as separate property; see Rule 3.80.)</small>
<input type="checkbox"/> Grandchild/Grandchild-in-law	<input type="checkbox"/> Sibling or Brother/Sister-in-Law	<input type="checkbox"/> Grandparent/Grandparent-in-Law
<input type="checkbox"/> Guardian	<input type="checkbox"/> Decedent's estate <i>(inherited)</i>	<input type="checkbox"/> Qualified nonprofit IRC Section 501(c)(3), donor or recipient
<input type="checkbox"/> Certain revocable (living) trusts <i>(see Tax Code Section 152.025, donor or recipient)</i>		

**Donor Certification**

Name \_\_\_\_\_

Mailing address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

ZIP code \_\_\_\_\_ Phone (area code and number) \_\_\_\_\_

I hereby certify that all statements in this document are true and correct to the best of my knowledge and belief. This motor vehicle is being transferred without consideration, including no assumption of debt.

**sign here** \_\_\_\_\_  
SIGNATURE OF DONOR / EXECUTOR

SWORN TO and SUBSCRIBED before me on this the \_\_\_\_\_ day of \_\_\_\_\_ A.D. \_\_\_\_\_.

SEAL  
OF  
STAMP

**sign here**

NOTARY PUBLIC FOR THE STATE OF  
OR AUTHORIZED EMPLOYEE OF THE TAX ASSESSOR-COLLECTOR'S OFFICE

**Donor Certification (if multiple donors)**

Name \_\_\_\_\_

Mailing address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

ZIP code \_\_\_\_\_ Phone (area code and number) \_\_\_\_\_

I hereby certify that all statements in this document are true and correct to the best of my knowledge and belief. This motor vehicle is being transferred without consideration, including no assumption of debt.

**sign here** \_\_\_\_\_  
SIGNATURE OF DONOR

SWORN TO and SUBSCRIBED before me on this the \_\_\_\_\_ day of \_\_\_\_\_ A.D. \_\_\_\_\_.

SEAL  
OF  
STAMP

**sign here**

NOTARY PUBLIC FOR THE STATE OF  
OR AUTHORIZED EMPLOYEE OF THE TAX ASSESSOR-COLLECTOR'S OFFICE

**Recipient Certification**

Name \_\_\_\_\_

Mailing address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

ZIP code \_\_\_\_\_ Phone (area code and number) \_\_\_\_\_

I hereby certify that all statements in this document are true and correct to the best of my knowledge and belief. This motor vehicle is being transferred without consideration, including no assumption of debt.

**sign here** \_\_\_\_\_  
SIGNATURE OF RECIPIENT

SWORN TO and SUBSCRIBED before me on this the \_\_\_\_\_ day of \_\_\_\_\_ A.D. \_\_\_\_\_.

SEAL  
OF  
STAMP

**sign here**

NOTARY PUBLIC FOR THE STATE OF  
OR AUTHORIZED EMPLOYEE OF THE TAX ASSESSOR-COLLECTOR'S OFFICE

**Recipient Certification (if multiple recipients)**

Name \_\_\_\_\_

Mailing address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

ZIP code \_\_\_\_\_ Phone (area code and number) \_\_\_\_\_

I hereby certify that all statements in this document are true and correct to the best of my knowledge and belief. This motor vehicle is being transferred without consideration, including no assumption of debt.

**sign here** \_\_\_\_\_  
SIGNATURE OF RECIPIENT

SWORN TO and SUBSCRIBED before me on this the \_\_\_\_\_ day of \_\_\_\_\_ A.D. \_\_\_\_\_.

SEAL  
OF  
STAMP

**sign here**

NOTARY PUBLIC FOR THE STATE OF  
OR AUTHORIZED EMPLOYEE OF THE TAX ASSESSOR-COLLECTOR'S OFFICE

22 Texas Comptroller of Public Accounts • Audit Division

December 2017



**EXAMPLES:**

- two vehicles traded in return for one
- one vehicle traded in return for two

An exchange of a motor vehicle for a fishing boat would not qualify as an even exchange. Motor vehicle tax would be due on the vehicle based on the boat's fair market value. SPV procedures may apply.

A \$5 tax is imposed on each motor vehicle received in an even trade. SPV procedures do not apply.

## **New Resident Tax**

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A \$90 new resident tax is imposed on a motor vehicle:

- brought into Texas by a new resident, provided the vehicle was previously registered in the new resident's name in another state or foreign country.
- leased out of state and subsequently brought into Texas for use by a new resident.

The new resident tax is in lieu of the 6.25 percent use tax. The tax is the new resident's obligation and must be paid to the county tax assessor-collector when the vehicle is titled and/or registered. Credit is not allowed for similar tax paid to another state or foreign country.

If the motor vehicle was not previously registered in the new resident's name in another state or foreign country, the use tax applies. For more information on "resident" versus "new resident", see Rule 3.71.

As of September 1, 2005, a person who is a new resident owes the lesser of the \$90 new resident tax or 6.25 percent use tax, when the vehicle is eligible for a specialty license plate, such as an antique vehicle plate.

### **Former Texas resident:**

A former resident of Texas who moves back to Texas owes the \$90 new resident tax, regardless of where the vehicle was purchased. The former resident does **not** owe any tax, however, if he or she can provide documentation that Texas motor vehicle sales tax has been previously paid on the vehicle returning to Texas.

A Texas resident who leaves Texas, forfeits Texas residency and then returns to Texas is a new resident and would owe the \$90 new resident tax on a vehicle purchased outside of Texas and previously registered to the new resident elsewhere.

If a Texas resident leaves the state without forfeiting Texas residency, the resident owes the state motor vehicle use tax on any vehicle purchased outside Texas, with credit given for similar tax paid to another state. SPV procedures may apply.

When a vehicle is purchased in Texas and removed from this state because the vehicle will be titled, registered and operated exclusively out of state, the purchaser will owe 6.25% use tax on the purchase price when returning the vehicle to Texas. Credit is given for similar tax paid to another state. When a person purchases a vehicle in Texas and pays Texas tax, no additional tax is due if the person returns to Texas with that vehicle.

### **Texas resident temporarily out of state:**

A Texas resident living temporarily out of state may be required to title or register a motor vehicle out of state even if the resident has previously registered and paid tax on the vehicle in Texas. There is no additional tax liability on the same motor vehicle upon its return to Texas. Examples are military personnel who are Texas residents and who are temporarily stationed at military bases around the world.

A taxpayer must present a copy of a tax receipt showing that Texas tax has been previously paid on the vehicle and then indicate on Form 130-U that his/her Texas residency was not surrendered permanently, but only temporarily. Evidence of Texas residency could include continuing to vote in Texas or maintaining a Texas address.

***When the new resident tax does not apply:***

The new resident tax does not apply to any of the following:

- 1) Texas resident in military service;
- 2) vehicle brought into Texas for public highway use by a person or firm already doing business in Texas;
- 3) vehicle apprehended for improper registration that is owned or operated by a person or firm domiciled or doing business in Texas; or
- 4) an interstate owner-operator applying for a Texas title on an apportioned vehicle.

All of these examples are subject to the motor vehicle use tax **except** (4). Interstate motor vehicles were exempted as of September 1, 1997. For more information, refer to Chapter 11 - Interstate Motor Carriers.

## **Dealer Plates**

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The tax rate on dealer plates is \$25 per year per plate.

## **Manufacturer Plates**

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At present there is no tax on manufacturer plates.

## Chapter 2

# Exemptions

Certain Commercial Transportation Companies  
Church and Religious Societies  
Consular Officers and Employees  
Driver Training Vehicles  
Farm (Ranch)  
Exemptions for Specially Modified Motor Vehicles Used on a Farm or Ranch  
Non-Exempt Vehicles Used on a Farm or Ranch  
Farm Trailers  
Farm-Use Vehicles  
Agricultural Tax Exemptions  
Trailers Used for Timber Operations  
Interstate Motor Vehicles  
Licensed Child-Care Facilities  
Nonprofit Organizations  
Orthopedically Handicapped Person  
Disabled Veterans or Former Prisoners of War  
Public Agency  
Lease to a Public Agency  
License Plates  
Contractors  
Other Organizations Exempt by Statute  
Federal Organizations  
State Organizations  
Volunteer Fire Department  
Vehicles Transported Out of State  
Hydrogen-Powered Vehicles  
Citrus Pest and Disease Management Corporation (Agriculture Code Chapter 80)

### **Certain Commercial Transportation Companies (§152.082 and Rule 3.83)**

As of June 17, 2015, the Tax Code §152.082 was amended by Senate Bill 724, 84th Session (2015). This amendment allowed certain commercial transportation companies to be exempt from taxes. To qualify for the exemption, the vehicle must be operated with exempt license plates and purchased by a commercial transportation company who is under a contract with a board of county school trustees, a school district board of trustees or the governing body of an open-enrollment charter school to provide transportation services. For more information, see Rule 3.83.

### **Church and Religious Societies (§152.088 and Rule 3.82)**

A church or religious society is an organized group of people regularly associating for the sole purpose of holding, conducting and sponsoring religious worship according to the rites of its sect.

An organization simply supporting and encouraging religion as an incidental purpose, furthering religious work or instilling its membership with religious understanding may **not** qualify as a church or religious society.

A church or religious society is exempt from motor vehicle tax if the vehicle meets the following criteria:

- designed to carry more than six passengers (including buses and vans)
- sold to, rented to, or used by a church or religious society
- used primarily (at least 80 percent of the vehicle's operating time) by a church or religious society
- not registered as a passenger vehicle and not used primarily for the personal or official needs or duties of a minister
- a trailer (effective 9-1-17)

This exemption does **not** apply to a passenger vehicle registered for the personal or official use of a minister.

### Consular Officers and Employees – (Rule 3.63)

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All diplomatic missions and their members, including dependents, are required by federal law (22 U.S.C. Section 4303) to register all motor vehicles that they own or lease, with the U.S. Department of State, Office of Foreign Missions, Diplomatic Vehicle Office.

The vendor of a motor vehicle sold in Texas must contact the Office of Foreign Missions to determine the tax-exempt status of the purchaser. The Office of Foreign Missions will provide a statement to the vendor indicating the tax-exempt status of the purchaser for motor vehicle sales tax imposed on the transaction. A copy of this statement must be kept by the vendor for four years from the date of purchase. If the exemption is denied, a selling dealer licensed under Transportation Code, Chapter 503, must collect and remit the motor vehicle sales tax due.

**Note:** A U.S. citizen or a permanent resident of the U.S. working for a foreign consulate does not qualify for exemption from taxes.

### Driver Training Vehicles (§152.081 and Rule 3.76)

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A driver training vehicle is exempt from motor vehicle tax if all of the following requirements are met:

- titled in the name of the dealership,
- loaned free of charge to a public school,
- used **exclusively** in an approved, standard driver training course **and**
- displays exempt license plates — the use of standard license plates subjects the vehicle to tax.

A driver training vehicle is **not exempt** from motor vehicle tax when used for the following:

- school transportation,
- vocational programs,
- faculty,
- loan to a private or parochial school or
- anything other than driver training.

### Farm or Ranch (§152.091 and Rule 3.72)

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A farm or ranch is one or more tracts of land used to produce crops, livestock and/or other agricultural products to be sold as a regular course of business. Included are dairy farms, poultry farms, commercial orchards, commercial nurseries/greenhouses, feedlots and similar commercial agricultural operations that are original producers of agricultural products.

A home garden, wildlife management, and timber operation are **not** considered a farm or ranch.

### **Exemptions for Specially Modified Motor Vehicles Used on a Farm or Ranch**

Farm machines, and farm trailers and semi-trailers used primarily for farming and ranching, including the poultry rearing and use in feedlots, are exempt from motor vehicle tax. Tax liability or exemption is not determined by the type of registration and titling required by the TxDMV.

Self-propelled motor vehicles that are specially adapted for primary use on a farm or ranch are exempt as farm machines. The vehicles must be adapted for use primarily in the following:

- the production of crops or rearing of livestock, including poultry;
- feedlots; or
- applying plant food materials, agricultural chemicals or feed for livestock. For example, a truck with an attached fertilizer spreader would be exempt if primarily used in farming.

### **Non-Exempt Vehicles Used on a Farm or Ranch**

Specially adapted, self-propelled motor vehicles whose only purpose is the transportation of agricultural products or materials are subject to motor vehicle tax. They do not qualify as exempt farm machines as defined by motor vehicle tax law.

A pickup truck is **not** exempt as a farm vehicle, even if it has a farm registration.

Farm tractors are **not** included in the definition of a motor vehicle.

### **Farm Trailers**

A farm trailer is a trailer or semi-trailer (including gooseneck trailers) used primarily as a farm or ranch vehicle. A farm trailer must be used primarily in the production of the following:

- food for human consumption;
- grass;
- feed for any form of animal life; or
- other livestock or agricultural products to be sold in the regular course of business

A farm trailer used primarily by a farmer or rancher in processing, packing or marketing the farmer's own livestock or agricultural products is **not** subject to motor vehicle tax.

A farm trailer used exclusively in processing, packing or marketing agricultural products by an agricultural cooperative or gin is subject to the tax, **unless** the cooperative can prove that it is the original producer of all agricultural products being processed, packed or marketed, and that those functions are performed at a location operated by the cooperative.

### **Farm-Use Vehicles**

An example of a farm-use vehicle that is not considered a motor vehicle and would have no motor vehicle tax due would be a fertilizer spreader that can be pulled by a tractor or a truck. If a regular truck is modified to have a sprayer tank and related accessories attached, and can still provide general transportation, this **would** be considered a modified motor vehicle, and motor vehicle tax would be due. However, a truck modified only as a distributor could be an exempt farm machine like a 1-ton dolly designed to distribute feed or fertilizer.

### **Agricultural Tax Exemptions**

As of September 1, 2011, to qualify for motor vehicle sales or use tax exemption, farmers and ranchers must register with the Comptroller and obtain a registration number.

Registration numbers must be indicated on the Application for Texas Title and/or Registration (Form 130-U) in Section 37, “Exemption claimed under the Motor Vehicle Sales and Use Tax Law because...” This includes motor vehicles purchased to be leased to qualifying farmers and ranchers. Vendors and county tax assessor-collectors will be able to verify registration numbers through an online system.

### **Trailers Used for Timber Operations (§152.091 and Rule 3.72)**

A timber operation involves the production of timber including land preparation, planting, maintenance and the harvest of trees commonly grown for commercial timber.

A timber machine is a self-propelled motor vehicle specially adapted to perform a specialized function for use primarily in timber operations.

A timber trailer is a trailer or semi-trailer designed for and used primarily in a timber operation.

The retail sale, use or rental of a timber machine or timber trailer is **not** subject to motor vehicle sales and use tax or motor vehicle gross rental receipts tax **if** the timber machine or timber trailer is used in growing, harvesting, processing, packing and marketing timber by the original producer.

#### **Timber Operators Tax Exemption**

As of September 1, 2011, to qualify for motor vehicle sales or use tax exemption, timber operators must register with the Comptroller and obtain a registration number.

Registration numbers must be indicated on the application for certificate of title (Form 130-U) in Section 37, the “Exemption claimed under the Motor Vehicle Sales and Use Tax Law because...” This includes motor vehicles purchased to be leased to qualifying timber operators. Vendors and county tax assessor-collectors can verify registration numbers at the Comptroller’s website.

### **Interstate Motor Vehicles (§152.089 and Rule 3.69)**

Interstate motor vehicles, trailers and semi-trailers are exempt. An interstate motor vehicle means a motor vehicle that is operated in Texas and in at least one other state or country, and for which the registration fees could be apportioned if the vehicle were registered in a state or province of a country that is a member of the International Registration Plan.

See Chapter 11 for more information on interstate motor vehicles.

### **Licensed Child-Care Facilities (§152.093)**

Certain qualified residential child-care facilities may purchase, use or rent motor vehicles tax-free. The motor vehicles must be used primarily for transporting the children residing in the facility under a state license.

The child-care facility must meet all of the following requirements:

1. licensed under Chapter 42 of the Human Resources Code to provide residential care 24 hours a day to:
  - a. children who do not require specialized services or treatment **and**
  - b. children who are emotionally disturbed, **if**
2. the children are permitted by the license to live together in a single residential group.

### **Nonprofit Organizations**

Nonprofit organizations are **not** exempt from motor vehicle tax.

An organization incorporated under the Texas Nonprofit Corporation Act is not exempt from paying motor vehicle tax.

Organizations funded by the state or federal government are not automatically exempt from motor vehicle tax. To qualify for an exemption, an organization must be either a public agency or exempted by a specific statute. For more information, see Public Agencies in this chapter.

A limited sales tax exemption certificate may **not** be used by any organization to claim exemption from motor vehicle tax.

### **Orthopedically Handicapped Person (§152.086 and Rule 3.84)**

An orthopedically handicapped person is someone with limited movement of body extremities and/or loss of physical functions.

To claim an exemption from the motor vehicle tax, the person must either be unable to operate, or be transported in, a motor vehicle unless it has been specially modified.

#### ***Driver Exemption:***

A vehicle purchased to be driven by an orthopedically handicapped person is exempt from motor vehicle tax if the vehicle is driven primarily by the orthopedically handicapped person, **and** if the vehicle is modified to do the following:

1. facilitate operation by an orthopedically handicapped driver by altering conventional controls for the brakes, accelerator or steering wheel, or to
2. allow an orthopedically handicapped driver to enter the vehicle by installing a wheelchair lift, hoist or ramp.

#### ***Transporting Exemption:***

A vehicle purchased to transport an orthopedically handicapped person is exempt from motor vehicle tax if the vehicle:

- has been modified for transporting an orthopedically handicapped person by installing a wheelchair lift, hoist or ramp, special seat restraints or wheelchair hold-down clamps; **and**
- is used primarily to transport the orthopedically handicapped person




#### ***Who May Claim the Exemption:***

The exemption for orthopedically handicapped persons applies to individuals, partnerships, corporations or associations, as long as the requirements are met.

As of January 1, 2010, a dealer selling a motor vehicle may not collect the motor vehicle sales tax when a purchaser claims an exemption for an orthopedically handicapped person, if the purchaser signs a properly completed Form 14-318, exemption for orthopedically handicapped person, at the time of the sale. The purchaser must provide a copy of a restricted Texas driver's license indicating the required modification to the motor vehicle or provide a statement from a practitioner of the healing arts (included on the exemption certificate) certifying that the person is orthopedically handicapped and that the motor vehicle must be modified for the person to drive or be transported by the vehicle.

The dealer must retain the exemption certificate and provide a copy of the certificate to the county tax assessor-collector at the time of title transfer. The dealer who accepts the exemption certificate in good faith does not have any responsibility to investigate the purchaser's claim, and will not incur any liability for any taxes later found to be due.

The exemption certificate is available at the Comptroller's website: [comptroller.texas.gov/forms/14-318.pdf](http://comptroller.texas.gov/forms/14-318.pdf)

 Comptroller of Public Accounts Form 14-318 (Rev. 2-17/3)		<a href="#">PRINT FORM</a>		<a href="#">CLEAR FORM</a>	
<b>Texas Motor Vehicle Orthopedically Handicapped Exemption Certificate</b> Complete this certificate to claim an exemption of motor vehicle sales tax for a vehicle that will be modified for an orthopedically handicapped person or persons.					
<b>Section 1</b>					
<b>Purchaser: Complete this certificate and provide to selling dealer or County Tax Assessor-Collector.</b>					
<b>Purchaser</b>	Name of purchaser			Name of eligible orthopedically handicapped person	
	Purchaser mailing address			Purchaser phone (Area code and number)	
	City	State	ZIP code		
<b>Selling dealer: Retain a copy of this certificate and provide the original certificate and related required documents to the County Tax Assessor-Collector at time of title transfer.</b>					
<b>Seller</b>	Name of seller			Texas dealer number	
	Mailing address				
	City	State	ZIP code		
<b>Vehicle</b>	Make of vehicle			Vehicle Identification Number (VIN)	
	Year model	Body style	License number		
	I, the purchaser, claim exemption from payment of motor vehicle sales and use tax on the purchase of the vehicle described above. The vehicle is/will be modified and will be operated primarily (80% of operating time) by or to transport an eligible orthopedically handicapped person. I am providing <input type="checkbox"/> a copy of the restricted Texas Driver License indicating required modification; or <input type="checkbox"/> a practitioner's statement below.				
Definitions of eligible person and vehicle modifications are on back of certificate.					
Purchaser's signature 				Date	
<b>Section 2 - Practitioner of Healings Arts Statement</b>					
Name of practitioner			Professional license number		
Mailing address					
City	State	ZIP code			
I certify that the person named in Section 1 is orthopedically handicapped, and in order to operate or be transported in a motor vehicle in a reasonable manner, the vehicle must be modified with qualifying adaptive devices/modifications.					
Practitioner's signature 				Date	
Tax Code §152.101 provides a penalty to a person who signs a false statement. An offense under this section is a felony of the third degree. Under Ch. 559, Government Code, you are entitled to review, request and correct information we have on file about you, with limited exceptions in accordance with Ch. 552, Government Code. To request information for review or to request error correction, contact the public information coordinator at the office where you submit this form.					



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## Disabled Veterans or Former Prisoners of War

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A disabled veteran or former prisoner of war is **not** automatically exempt from the motor vehicle sales and use tax. A disabled veteran or former prisoner of war must be orthopedically handicapped as defined in this section to qualify for an exemption from motor vehicle tax.

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## Public Agency (§152.082 and Rule 3.83)

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A public agency is a department, commission, board, office, institution or other agency of the state of Texas, or of a county, city, town, school district, hospital district, water district or other special district, authority or political subdivision created by or pursuant to the Texas Constitution or the laws of this state. The term also includes unincorporated agencies and instrumentalities of the U.S.

A public agency is exempt from motor vehicle tax if the vehicles are operated with exempt plates and are titled in the agency's name.

Effective September 1, 2017, House Bill 897 amended §152.001(7) "public agency" to include an open-enrollment charter school.

An organization is not a public agency simply because it is funded by the state or federal government. An organization may be state or federally funded and still not be entitled to an exemption from motor vehicle tax.

A limited sales tax exemption certificate may not be used to claim exemption from motor vehicle tax.

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## Lease to a Public Agency (§152.083 and Rule 3.83)

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A leasing company acquiring a motor vehicle to be leased to a public agency is not required to pay motor vehicle tax as long as the vehicle is:

- titled in the lessor's name;
- leased to a public agency; and
- operated with exempt license plates.

The leasing company is required to pay motor vehicle tax on the book value of the vehicle at the termination of the lease unless the vehicle is held exclusively for resale. For more information, refer to Chapter 9.

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## License Plates

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To qualify for the exemption, exempt license plates must be displayed. This requirement, however, **cannot** be enforced on federal vehicles. It is also waived for undercover law enforcement vehicles. Exempt plates are issued for undercover vehicles but then are traded for non-traceable regular plates.

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## Contractors

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A contractor working on a public agency project is not exempt from motor vehicle tax. An exemption granted under the Texas Limited Sales and Use Tax Act is not valid for motor vehicle tax.

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## Other Organizations Exempt by Statute

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In addition to public agencies, other organizations are exempted from motor vehicle tax by particular statutes. These organizations are **not** required to operate their vehicles with exempt license plates to qualify for the exemption. Listed below are some examples of such organizations.

## Federal Organizations

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- Federal credit unions
- Federal Reserve banks
- Federal Home Loan Mortgage, Inc., and other federal home loan banks
- American Red Cross
- Boy Scouts and Girl Scouts — both organizations have been determined to be instrumentalities of the federal government and are exempt from motor vehicle tax.

## State Organizations

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- rural electric cooperatives organized under the Electric Cooperative Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1528(b), §30
- telephone cooperatives organized under the Telephone Cooperative Act, Tex. Rev. Civ. Stat. ANN. art. 1528(c), §29

## Volunteer Fire Departments (§152.087)

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A volunteer fire department is any company, department or association organized to answer fire alarms, extinguish fires and provide emergency medical services. The members of a volunteer fire department receive either no compensation or nominal compensation for their services.

A fire truck, ambulance or other motor vehicle used exclusively for fire-fighting purposes or for emergency medical service is exempt from motor vehicle tax when purchased by a volunteer fire department. Other fire departments are probably exempt as public agencies; for more information, refer to Transportation Code §502.204 and Health and Safety Code §773.003.

## Vehicles Transported Out of State (§152.092 and Rule 3.90)

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Motor vehicle tax is not due on the retail sale of a motor vehicle transported out of Texas prior to any use in Texas other than the transportation of the vehicle out of state.

To qualify for this exemption, the purchaser of the motor vehicle must sign, at the time of the purchase, Form 14-312, Texas Motor Vehicle Sales Tax Exemption Certificate for Vehicles Taken Out of State. that the form must be signed by both the seller and the purchaser.

If the vehicle ever re-enters Texas, use tax is due based on the total consideration. Credit would be allowed for a legally imposed sales or use tax paid to another state.

A vehicle exempted under this provision that is later brought back into Texas by a purchaser who intends to establish residence in Texas is **not** eligible for the new-resident tax. Use tax would be due on the vehicle with credit allowed for tax paid to another state.

**Form 14-312 — Texas Motor Vehicle Sales Tax Exemption Certificate for Vehicles Taken Out of State**

 14-312  
Comptroller of Public Accounts  
Form (Rev.12-12/4)

[PRINT FORM](#) [CLEAR FORM](#)

**Texas Motor Vehicle Sales Tax Exemption Certificate  
— for Vehicles Taken Out of State**

Name of purchaser	
Address (Street & number, P.O. Box or route number)	Phone (Area code and number)
City, state and ZIP code	

I, the purchaser named above, claim an exemption from payment of motor vehicle sales tax for the purchase of the motor vehicle described below:

Vehicle identification number	Make of vehicle	Model year	State or country where vehicle will be used/registered
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Seller


Street address

City, state and ZIP code

I claim this exemption because the vehicle is to be transported outside this state, prior to any use in this state other than the transportation of the vehicle out of state, for use exclusively outside this state. I understand that, if I register the vehicle in Texas, the exemption I am claiming will be presumed invalid.

By signing below, I hereby authorize the Comptroller to provide a copy of this certificate to the state or country in which the vehicle will be titled, registered and used. I understand that I will be liable for payment of motor vehicle sales or use taxes that may become due if I fail to comply with the provisions of the Texas Tax Code, Chapter 152, *Taxes on Sale, Rental, and Use of Motor Vehicles*.

I understand that it is a criminal offense to give a Texas Motor Vehicle Sales Tax Exemption Certificate to the seller for a motor vehicle that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate and that the offense is a felony punishable by imprisonment for not more than 10 nor fewer than 2 years, or a fine of not more than \$10,000, or both.

 Purchaser	Title	Date
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**Blanket exemption certificate.** A purchaser may provide a blanket Motor Vehicle Sales Tax Exemption Certificate to a seller when purchasing motor vehicles to be used exclusively outside of Texas. The seller may rely on the blanket certificate until it is revoked in writing. The Vehicle Identification Number (VIN), make and model year are not required on this form when being used as a blanket exemption certificate; instead, enter "Blanket Certificate."

When this form is used as a blanket certificate, the seller must retain the following information for each transaction purchased under the certificate, as required by Texas Tax Code Section 152.063, including:

- Vehicle Identification Number
- make of vehicle
- model year
- state or country where vehicle will be used/registered

*NOTE: This certificate does NOT require a taxpayer number to be valid.*

This certificate should be furnished to, and retained by, the seller.  
Do **not** send the completed certificate to the Texas Comptroller of Public Accounts.

## **Hydrogen-Powered Vehicles (§152.090)**

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As of September 1, 2007, an ultra-low-emission motor vehicle that is hydrogen-power capable and has fuel economy of at least 45 miles per gallon, or that is fully hydrogen-powered, is exempt from Texas motor vehicles and use tax. A qualifying hydrogen-powered motor vehicle is a vehicle that meets Phase II standards established by the California Air Resources Board as of September 1, 2007, for an ultra-low-emission vehicle or for any stricter Phase II emission standards established by that board.

## **Citrus Pest and Disease Management Corporation (Chapter 80 of Agriculture Code)**

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As of September 1, 2009, the Agricultural Code was amended by adding Chapter 80, which provides an exemption from motor vehicle sales and use taxes for the Texas Citrus Pest and Disease Management Corporation. This Texas nonprofit corporation is a quasi-governmental entity formed to control and suppress the Asian citrus psyllid, a citrus pest. It operates under the supervision of the Texas Department of Agriculture.

## Chapter 3

# Special Situations

- Corporations Wholly Owned by an Individual
- Incorporation of a Partnership or an Individually Owned Business
- Corporate Name Change
- Corporation as a New Resident
- Nonprofit Corporation
- Transfer Due to a Merger
- Transfer Between Parent and Subsidiary Corporations
- Transfer from Existing Corporation to a Newly Formed Subsidiary Corporation
- Transfer Upon Dissolution
- Partnerships
  - Transfer to a Newly Formed Partnership
  - Transfer to an Existing Partnership
  - Partnership Vehicles
  - Change in Partners
  - Transfer upon Dissolution of a Partnership
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  - Business Firms — Individually Owned
- Family Transfers
- Community Property
- Property Settlement and Divorce Decree
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- Insurance Settlements
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  - Dealer-To-Winner Transfer
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- Homemade Vehicle — Definition
- Salvage Motor Vehicles
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- Inherited Vehicle
- Transfers by Descendants
- Military Personnel
- Overseas Exchange Purchase
- Texas Military Temporarily Out of State
- Credit
- NATO Personnel Tax Exemption
- Motor Vehicle Manufacturers

## Corporations Wholly Owned by an Individual (Rule 3.64)

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If an individual is the sole stockholder in an existing corporation and transfers a motor vehicle to or from their name from an existing corporate name or to or from an existing corporate name to their personal name, the following guidelines apply:

- If consideration (including a lien assumption) is paid for the vehicle, motor vehicle tax is due. SPV procedures may apply.
- If no consideration is paid for the vehicle, motor vehicle tax is due. SPV procedures may apply.

Exception: See Incorporation of a Partnership or an Individually Owned Business below or dissolution/termination of a corporation.

### Note:

Transfers between an individual and an unincorporated company owned solely by the individual are treated differently. See Business Firms — Individually Owned in this chapter.

## Incorporation of a Partnership or an Individually Owned Business (Rule 3.64)

---

When an individual or partnership initially incorporates and transfers a motor vehicle from the individual or partnership name to the newly formed corporation, the following guidelines apply:

- If no consideration is paid by the corporation to the individual or partnership other than stock, no tax is due. The owners of the business have simply adopted a different form of doing business and the transfer of a motor vehicle to the newly formed corporation is not a taxable sale.
- If consideration, including a lien assumption, is paid to the individual or partnership, motor vehicle tax is due. SPV procedures may apply.

## Corporate Name Change

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A corporation may change its name without paying motor vehicle tax. The corporation must document that the change is a name change only by furnishing a copy of the amendment to the corporation's articles of incorporation filed with the Secretary of State.

## Corporation as a New Resident (Rule 3.71)

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When a corporation enters Texas to establish a residence and to begin doing business for the first time, the corporation is considered a new resident.

To be a new resident, a corporation cannot presently be doing business in Texas or domiciled in Texas.

- If a vehicle was owned by a corporation and was brought into Texas at the time the corporation became a new resident, and was previously registered in the corporate name in another state or country, the new resident tax applies.
- If a vehicle was acquired out of state and was brought into Texas for public highway use after the corporation became a resident, motor vehicle use tax is due. SPV procedures may apply.

## Nonprofit Corporation

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When a nonprofit corporation acquires a motor vehicle, it is subject to motor vehicle tax even though the corporation may be exempt from limited sales and use tax.

A nonprofit corporation may be state- or federally funded, but not entitled to an exemption from motor vehicle tax. See Chapter 2, Exemptions.

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## Transfer Due to a Merger (Rule 3.64)

When one or more corporations merge into another surviving corporation, no tax is due on vehicles transferred to the surviving corporation. In a merger, transfer of liens with motor vehicles does not constitute “consideration” since it is an operation of law.

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## Transfer Between Parent and Subsidiary Corporations (Rule 3.64)

When a parent corporation transfers a motor vehicle to a subsidiary corporation or a subsidiary corporation transfers a motor vehicle to its parent corporation, the following guidelines apply:

- If consideration, including a lien assumption, is paid for the motor vehicle, motor vehicle tax is due. SPV procedures may apply.
- If no consideration is paid for the motor vehicle, motor vehicle tax is due. SPV procedures may apply.

Exception: See the Transfer from Existing Corporation to Newly Formed Subsidiary Corporation section below.

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## Transfer From An Existing Corporation to A Newly Formed Subsidiary Corporation (Rule 3.64)

When a motor vehicle is transferred from an existing corporation to a subsidiary corporation upon the initial incorporation of the subsidiary, the following guidelines apply:

- If no consideration is paid by the subsidiary to the parent corporation other than stock, no tax is due.
- If a consideration, including a lien assumption, is paid to the parent corporation, motor vehicle tax is due. SPV procedures may apply.

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## Transfer Upon Dissolution (Rule 3.64)

When a motor vehicle is transferred to a stockholder upon dissolution of a corporation, the following guidelines apply:

- If a motor vehicle is transferred for no consideration as a part of the stockholder’s share of the dissolving corporation’s assets, no tax is due.
- If the stockholder assumes a lien on a motor vehicle or gives the dissolving corporation any consideration, motor vehicle tax is due. SPV procedures may apply.

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## Partnerships

A partnership is a business association of two or more persons with a common purpose. A partnership can include dual ownership of a motor vehicle.

A partnership is similar to a corporation. Both may own property and engage in business, and are responsible for their debts. Just as corporations are legal entities comprising of individual stockholders, partnerships are legal entities composed of individual partners.

A partnership differs from a corporation in structure. Unlike a corporation, when partners change, the old partnership dissolves and a new one is formed.

---

### Transfer to Newly Formed Partnership

When a motor vehicle is transferred from a partner to a partnership upon initial formation of the partnership, the following guidelines apply:

- If no consideration is paid by the partnership, no tax is due.
- If consideration, including a lien assumption, is paid to the partner, motor vehicle tax is due. SPV procedures may apply.

**Transfer to an Existing Partnership**

When a motor vehicle is transferred from a partner to an existing partnership, the following guidelines apply:

- If no consideration is paid by the partnership, motor vehicle tax is due. SPV procedures may apply.
- If consideration, including a lien assumption, is paid to the partner, motor vehicle tax is due. SPV procedures may apply.

**Partnership Vehicles**

The addition or deletion of a partner from a partnership does not constitute a taxable transaction for motor vehicles that are currently titled in the partnership's name.

**Change in Partners**

When a partner joins a partnership or a partner leaves a partnership, the following guidelines apply:

- If a partner joins a partnership and contributes a motor vehicle, then no tax is due.
- If consideration is paid including a lien assumption for the vehicle by the partnership, motor vehicle tax is due. SPV procedures may apply.
- If a partner leaves a partnership and a vehicle is transferred from the partnership into the partner's personal name, no tax is due.
- If a consideration, is paid, including a lien assumption for the vehicle by the partner, motor vehicle tax is due. SPV procedures may apply.

**Transfer upon Dissolution of a Partnership**

When a partnership dissolves and a motor vehicle is transferred to an individual partner as a portion of the assets, the following guidelines apply:

- If a motor vehicle is transferred for no consideration to a partner, no tax is due.
- If a partner assumes a lien on a motor vehicle or gives the dissolving partnership any consideration, motor vehicle tax is due. SPV procedures may apply.

**Partnership as a New Resident (Rule 3.71)**

When a partnership enters Texas to establish a residence and begin doing business for the first time, the partnership is considered a new resident.

To be a new resident, the partnership cannot presently be doing business in Texas or be domiciled in Texas.

- If the vehicle was owned by the partnership and brought into Texas at the time the partnership became a new resident, and the vehicle was previously registered in the partnership's name in another state or country, the new resident tax applies.
- If the vehicle was acquired out of state and was brought into Texas for public highway use after the partnership became a resident, motor vehicle use tax is due. SPV procedures may apply.

**Business Firms — Individually Owned**

A transfer of a motor vehicle between an individual and an unincorporated company wholly owned by that individual is not subject to motor vehicle tax. Since the individual is the sole owner of the company, there has been no sale or change in ownership.

Examples:

Sole owner to a company — no tax due

Company to sole owner — no tax due

This does **not** apply to a transfer of a motor vehicle from an individual to a corporation, from a corporation to an individual or to a corporation with a single stockholder.

For transfers involving corporations, see Business Firms — Corporations in this chapter.



## Family Transfers

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Motor vehicle tax is due on the sale of a motor vehicle from one family member to another.

Motor vehicle tax is due from a family member who assumes the balance of a loan on a motor vehicle from another family member. The taxable amount is the amount required to pay off the loan (the net payoff). SPV procedures may apply.

Gift tax is due on a motor vehicle transferred without consideration from one family member to another qualified family member.

## Community Property

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Community property includes a vehicle acquired by a married couple and titled in the name of either spouse.

A transfer of a motor vehicle that is community property between spouses is exempt from motor vehicle tax. If the motor vehicle was acquired before the marriage, gift tax is due. SPV procedures may apply.

## Property Settlement and Divorce Decree

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A transfer between persons formerly married to each other is exempt from motor vehicle tax only if the transfer:

- is part of the property settlement, or
- results from a court-ordered division of community property in a divorce decree.

A transfer between persons formerly married to each other is subject to motor vehicle tax when the transfer occurs after the community property settlement or court-ordered division of community property in a divorce decree. SPV procedures may apply.

## Minors

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Motor vehicle tax is due on a motor vehicle purchased by a person under 21 years of age even if the vehicle is titled in the name of the person's parent or guardian, or transferred from a minor to a parent or guardian.

Motor vehicle gift tax is due if a vehicle originally titled in a parent or guardian's name is later transferred to a minor in their charge.

The vehicle is usually titled in the parent or guardian's name due to financing and insurance limitations confronting a person under age 21. Although age 18 is recognized as the legal age of an adult in Texas, age 21 is used for administering the transfer of a vehicle from a parent to a former minor.

## Insurance Settlements (Rule 3.62)

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A sale has not occurred when an insurance company obtains title to a motor vehicle in return for an insurance settlement.

Motor vehicle tax is **not** due when an insured motor vehicle is titled in the insurance company's name because the vehicle is:

- determined to be a total loss, or
- stolen, even if the stolen motor vehicle is later recovered.

Motor vehicle tax is due when:

- an insurance company purchases a replacement vehicle for an insured person as a result of a claim for total loss, or
- an insured person purchases a replacement motor vehicle with his insurance settlement money.

Examples:

- » a wrecked vehicle cannot be used as a trade-in unless it is actually traded in to the seller of the replacement vehicle. A vehicle declared a total loss by an insurance company cannot reduce the total consideration of the replacement vehicle.
- » an insurance cash settlement cannot be used to reduce the taxable amount of a replaced vehicle.

## Repossessions — Purchaser Default

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A lien holder may repossess a motor vehicle on which a valid lien is recorded without paying motor vehicle tax. The act of repossession is not a retail sale.

**Note:**

The subsequent sale of a repossessed vehicle is subject to motor vehicle tax. SPV procedures may apply.

## Transfer by Lienholder

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A lien holder may sell a repossessed motor vehicle by attaching a TxDMV for repossessed motor vehicle affidavit to the title. The sale to the third party is a retail sale and motor vehicle tax is due. SPV procedures may apply.

If a person other than the person named on the title (and the maker of the note) redeems the motor vehicle by assuming the liability, a retail sale has occurred and motor vehicle tax is due. SPV procedures may apply.

## Storage and Mechanic's Liens

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A storage lien or mechanic's lien is designed to protect a person who has stored or serviced a motor vehicle when the owner fails to pay storage or service costs.

When payment is not received for storage or service costs, a lien holder may attempt to recover costs by foreclosing on the lien. This begins a process that results in a public sale, at which the lien holder may acquire the vehicle through a bid purchase.

If the lienholder takes the vehicle's title, motor vehicle tax is due on the amount paid against the lien by the lienholder retaining the vehicle, unless the sale price is higher. The lienholder's books and records must reflect the debt, usually the lien amount.

## Abandoned Vehicles

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Before an abandoned vehicle can be disposed of, a public sale must be held to transfer title. The limited sales or use tax is due on the amount paid by the purchaser of an abandoned vehicle at public sale.

## Public Sales

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When a vehicle is sold at public auction, the motor vehicle tax is due on the total consideration or sales price paid by the purchaser. The purchaser may be either the storage or mechanic lien holder or a third party. In either case, the purchaser can take title to the vehicle as a result of the public sale. If the purchaser is a dealer, the title may be taken tax-free if the vehicle is to be held for resale purposes only.

The purchase of a vehicle at a public auction is documented on Form 130-U. In place of the seller's signature, it should be indicated that the vehicle was sold at public sale, giving the name and location of the public agency holding the sale.

The federal government does not provide the purchaser with a Form 130-U. The purchaser receives the federal Form SF97-1, United States Government – Certificate to Obtain Title to a Motor Vehicle. This form contains sufficient information to determine the total consideration or sales price.

## **Awards/Prizes (Rule 3.80)**

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A person may be awarded a motor vehicle as a result of a contest or drawing. The motor vehicle tax consequences are discussed as follows:

### ***Tickets***

A ticket merely represents a chance to win and is not a consideration given for a motor vehicle. Therefore, a person who buys a ticket, or is given a ticket for a chance to win a motor vehicle, does not owe tax on the ticket price even if the ticket wins. The sponsor does not owe tax on the total price of the tickets that were sold.

### ***Dealer-To-Winner Transfer***

When a contest sponsor buys a motor vehicle from a dealer, and the dealer transfers the motor vehicle directly to a contest winner, motor vehicle tax is due on the amount paid to the seller by the sponsor. The tax is the liability of the contest sponsor. The tax may be paid by either the sponsor or the winner.

### ***Dealer-to-Sponsor-to-Winner Transfer***

When a contest sponsor buys a motor vehicle from a dealer, and the dealer assigns the title to the sponsor who in turn transfers the motor vehicle to the contest winner, the following guidelines apply:

- the sponsor owes motor vehicle tax on the amount paid to the seller; and
- the contest winner owes motor vehicle tax on the taxable value unless the transfer from the contest sponsor to the winner qualified as a gift. SPV procedures may apply.

### ***Dealer-to-Sponsor-to-Winner Transfer with No Consideration***

When a dealer gives a motor vehicle to a contest sponsor for no consideration, and the dealer assigns the title to the sponsor who in turn transfers the motor vehicle to the contest winner, the following guidelines apply:

- The sponsor owes motor vehicle tax on the dealer's book value of the vehicle at the time of transfer, and the contest winner owes motor vehicle tax on the taxable value. SPV procedures may apply.
- If the sponsor qualifies as a nonprofit 501(c)(3) organization, gift tax is due by both the sponsor and the winner.

### ***Dealer or Manufacturer Sponsor-to-Winner Transfer***

When a dealer or manufacturer is a contest sponsor and transfers a motor vehicle directly to a contest winner, the winner owes the motor vehicle tax based on the manufacturer's or dealer's book value of the vehicle at the transfer.

## **Homemade Vehicle**

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A homemade or shop-made vehicle is a motor vehicle built from scratch using component parts.

A motor vehicle that has been restored or reconditioned for operable use is not a shop-made or homemade vehicle.

A motor vehicle that is purchased unassembled in a kit is not a homemade vehicle.

A homemade or shop-made vehicle will not have a manufacturer's statement of origin.

### **Taxability**

Motor vehicle tax is not due upon the initial titling or registration of a homemade or shop-made vehicle by the manufacturer or individual who actually built the motor vehicle.

Once the vehicle has been titled or registered by the person who built it, motor vehicle tax is due on all subsequent sales.

Motor vehicle tax is due from the person who custom orders a motor vehicle to be built because a retail sale has occurred.

Motor vehicle tax is not due when an individual makes separate purchases of component parts and then hires another person to assemble them into a motor vehicle.

#### **Note:**

All component parts purchased to construct or restore a motor vehicle are subject to limited sales and use tax.

### **Salvage Motor Vehicles**

---

The sale of an unrepaired vehicle that is on a salvage title or salvage certificate, or has been declared a total loss by an insurance company, is subject to limited sales tax. Once a vehicle is repaired and eligible to be issued a regular certificate of title as a motor vehicle, any subsequent sales are subject to the motor vehicle tax.

For example, the sale of a repaired or restored motor vehicle by a dealer that only holds a salvage vehicle dealers license is a private-party transaction of a motor vehicle and SPV procedures may apply.

### **Glider Kits**

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A glider kit is a body and chassis assembly used to rebuild a wrecked truck. Glider kits are subject to limited sales, excise and use tax.

### **Inherited Vehicle**

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An inherited motor vehicle is a vehicle received by an individual as specified by a deceased person's will or by order of a probate court.

An inherited motor vehicle is subject to gift tax unless it was community property and being transferred to the spouse.

### **Transfers by Descendants**

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A motor vehicle transferred to a person by descendants of a deceased person is subject to motor vehicle tax. SPV procedures may apply.

### **Military Personnel (Rule 3.68)**

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The Texas Motor Vehicle Sales and Use Tax Act contains no exemption for either U.S. or foreign military personnel. Depending on whether an owner is an established Texas resident and where a vehicle was purchased, either motor vehicle sales tax, use tax or new resident tax is due when a vehicle is titled and/or registered in Texas.

U.S. and foreign military personnel (excluding NATO personnel) who purchase a vehicle in Texas are subject to motor vehicle sales and use tax. The tax is based on the purchase price of the vehicle less any credit given on a vehicle traded in. SPV procedures may apply.

Out-of-state and foreign military personnel (non-NATO) who are entering Texas are subject to the new resident tax on motor vehicles purchased outside Texas and brought into Texas for use. The motor vehicle must have been previously registered in their name in another state or foreign country.

Foreign military personnel, their dependents, and military-employed foreign civilians attached to a NATO force and stationed in Texas on official orders from NATO are exempt from the motor vehicle tax. See NATO personnel Tax Exemption in this chapter.

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## Overseas Exchange Purchase

Military personnel who purchase a motor vehicle through a buying service, such as a base exchange, outside Texas and who want to obtain a Texas title are subject to motor vehicle use tax.

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## Texas Military Temporarily Out of State

A Texas resident who is out of state temporarily on military orders may be required to register a motor vehicle out of state that he has previously registered and paid tax on in Texas. He or she has no liability for any additional tax upon re-entering Texas with the same motor vehicle. Proof of tax paid to Texas is required.

If Texas military personnel purchase a motor vehicle outside Texas for use in Texas, however, motor vehicle use tax is due.

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## Credit (Rule 3.61)

Credit is allowed towards the Texas motor vehicle use tax for legally imposed sales or use taxes paid to another state, Puerto Rico and U.S. possessions and territories. No credit is allowed for tax paid to a foreign country.

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## NATO Personnel Tax Exemption

Foreign military personnel, their dependents and military-employed foreign civilians, if attached to a member of NATO force and stationed in Texas on official orders, are exempt from motor vehicle tax.

Each individual claiming a NATO exemption must provide proof that he/she is qualified for the exemption. This proof should be documented on Form 130-U.

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## Motor Vehicle Manufacturers

Motor vehicle tax is not due if a motor vehicle is titled and registered in the manufacturer's name.

Motor vehicle tax is due if a motor vehicle is titled and registered in the name of a subsidiary of the manufacturer.

## Chapter 4

# Auditing Dealers With Records

- Examination of Records
- Pre-Audit Research
- Entrance Conference
- Verifying Sales Price
- Trade-In Verification
- Additional Information on Trade-Ins
  - Title Ownership
  - Multiple Trade-Ins
  - Trade-In of Greater Value
  - Trade-In Acquired Before Delivery
  - Third Party Trade-In
  - Purchaser's Equity in Trade-in Vehicle
  - Insurance Settlements
- General Information
- Excess Tax Collected (Unjust Enrichment)
- Overpayment of Tax
- Dealer Plates
- Scheduling and Write-Up
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  - Audit Adjustment Report
  - Tax Adjustment Summary
  - Exam 101 - Understated Sales Prices
  - Exam 102 – Disallowed Trade-ins

### Examination of Records (Overview)

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An audit of a new vehicle dealer should verify the following:

- application for Texas title and/or registration (Form 130-U) forms have been issued for all cars sold;
- sales prices have been correctly shown on the title application forms;
- claimed trade-ins are valid and the trade-in amounts are correct;
- tax has been properly calculated and charged to the customers; and
- tax charged to the customer is the same as that reported to the county tax assessor-collector.

Franchised new vehicle dealers usually maintain records as prescribed by the original manufacturer. Thus, all dealers doing business with the same manufacturer will use an identical chart of accounts.

Because of the sophistication of record-keeping, more than one source document should be available from which to verify the information found on the title application.

## Pre-Audit Research

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Title application forms are not available for examination. Since the onset of the TxDMV online registration system, however, all of the information contained on these forms is on TxDMV's database. The CAMS section of Audit Headquarters has access to this database and can download the information to the auditor via Excel spreadsheet.

The CAMS mainframe can be used to access the TxDMV data for any specific motor vehicle dealer. The *CAMS-TSO Motor Vehicle Audit Procedures Manual* provides detailed instructions on how to create a CAMS application to access the data.

Briefly, the manual consists of 10 sections:

- Section 1 shows how to run summary reports in the CAMS menu system for the purpose of identifying the spelling of a motor vehicle dealer's name.
- Section 2 explains how to create a spreadsheet of sales by the selected motor vehicle dealer.
- Section 3 explains how to download a created spreadsheet from the mainframe to the auditor's "Data96" folder on the laptop's C drive.
- Section 4 explains how to install the required items in the "Data96" folder on the C drive.
- Section 5 explains how to install the History Download files.
- Section 6 explains how to run a "macro" that will concatenate split columns, delete unused columns and format the spreadsheet.
- Section 7 explains how to reverse the order of buyer's names from "First-Name" to "Last-Name" to make it easier to trace transactions to sales invoices at the dealers' locations.
- Section 8 lists the codes appearing in the "Tax Category" and "Exempt Reason" fields.
- Section 9 lists the data that was converted from TxDMV files to the CAMS menu system database.
- Section 10 lists Texas counties by audit office.

For assistance in obtaining TxDMV data on motor vehicle dealers, contact the CAIS group.

When reviewing information on Excel spreadsheets obtained from the CAIS group, look for the following trends:

- unusually low sales prices
- invalid trade-ins (i.e., boats, tractors, etc.)
- unusually high trade-in allowances
- vehicles being used as a trade-in more than once

## Entrance Conference

---

Follow the procedures in the *Auditing Fundamentals Manual* for the entrance conference. Some additional records that may be helpful are listed below:

- inventory ledger
- trade-in ledger
- cross-reference guides (i.e.: license number to sales contract number or VIN to sales contract number)
- customer files (deal folders or dealer jackets) containing sales invoices, financing agreement, salesman's notes, workpapers, etc.

## Verifying Sales Price

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Verify the reported sales price by tracing to any of the following:

- sales journals
- sales invoices
- customer contracts or salesman's worksheets
- financing contracts

**Note:** Financing contracts should not be used exclusively, as figures may vary from dealers' books for financing purposes. This is sometimes done because financing institutions may require purchasers to have specific equity in the vehicle being financed.

## Trade-In Verification

---

Reported trade-ins should be traced to the records to determine the following:

- the vehicles actually existed;
- the vehicles were brought into the dealer's inventory; and
- the correct value of trade-ins is reported properly.

Verify information concerning trade-ins by comparing reported information to records used in verifying sales and/or used vehicle inventory records. If necessary, title histories may be obtained from TxDMV. More information will follow regarding title histories.

Additionally, a sample of trade-ins should be traced from inventory records to subsequent sales or to a physical location on the dealer's lot. Usually, and especially if the trade-in vehicle is an older model, the dealer will wholesale such vehicles to an auction house.

Be alert for the following:

- the same trade-in used more than once.
- trade-ins shown in the used vehicle inventory removed from inventory by a special journal entry.
- trade-ins being sold back to the same customer with no tax collected.

The amount of the pay-off will not affect the trade-in amount allowed. A purchaser is allowed a deduction for the gross amount of the trade-in, **not** the net or equity in the vehicle.

### **Example:**

Amount dealer will allow for customer's trade-in vehicle \$5,000

Amount customer still owes to financing institution \$3,500

In the above example, the title application will show a trade-in amount of \$5,000, despite the fact that the customer still owes \$3,500 on the vehicle.

Dealers sometime deal in "overallowances" or "rollout prices" (refer to Chapter 1). We are concerned only with the taxable difference paid by the customer, once it is determined that a trade-in existed.

### **Example:**

Texas Application for Title shows the following:

- sales price \$15,000
- trade-in amount \$10,000
- taxable value \$ 5,000



Dealer's records show:

- sales price \$13,000
- trade-in amount \$ 8,000
- taxable value \$ 5,000

## Additional Information on Trade-Ins

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Review the following information on trade-ins:

Only a motor vehicle can be traded in on the purchase of another vehicle to reduce the taxable value. Tax is due from the purchaser on the trade difference. Other items can be accepted as trade-ins, but **cannot** be used to reduce the taxable value.

### **Title Ownership:**

A trade-in vehicle is not required to be titled in the name of the person trading it to the seller as long as the vehicle is actually traded to the seller, and the owner has knowledge of and consents to the transaction. This is not the same as a third-party trade-in (see below). No tax is due between the purchaser and the third-party owner of the trade-in vehicle.

### **Multiple Trade-Ins:**

More than one vehicle can be traded in on the purchase of a motor vehicle.

### **Trade-In Greater Value:**

A vehicle of greater value than the vehicle being sold may be taken in trade. This is referred to as a "trade down." No motor vehicle tax is due and no credit is allowed.

### **Trade-In Acquired Before Delivery:**

A motor vehicle can be traded to a seller prior to delivery of the vehicle being purchased. This might occur when a vehicle has been ordered and the trade-in is delivered to the seller prior to delivery of the new vehicle to guarantee the trade-in allowance.

### **Third-Party Trade-In:**

A customer who sells a potential trade-in to a third party cannot claim that motor vehicle as a trade-in against the purchase of another vehicle. A motor vehicle must be traded to the seller **before** trade-in credit can be allowed. A third-party trade-in claimed by a dealer can be verified by:

- a title history
- sales contract/sales journal
- used-car inventory ledgers

### **Purchaser's Equity in Trade-in Vehicle:**

A vehicle purchaser actually trading in a vehicle may receive his or her equity in the trade-in vehicle in cash. This cash received would **not** be consideration towards the purchase of the new vehicle.

### **Insurance Settlements:**

Money received from an insurance settlement cannot be used to reduce the taxable value.

## General Information

---

Taxable difference, plus tax, title, license, documentation charge, if applicable, and any pay-off on a traded vehicle, if applicable, can be verified from the cash receipts journal, cash receipts or bank deposit records. The taxable difference can be backed into from the total paid by the customer.

If discrepancies are noted between information reported and sales records the auditor has inspected, more than one source should be used to substantiate the discrepancies. Spot-check these discrepancies to establish a trend.

## Excess Tax Collected (Unjust Enrichment)

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When a dealer collects tax in excess of the amount due, the excess amount either should be refunded to the customer or reported to the state. This can be done by backing into an “additional amount subject to tax” on a separate schedule.

### Tax Paid to Seller

As of October 1, 1999, a motor vehicle title applicant who has paid the tax to a seller required to collect the tax does not have to pay the tax again to the tax assessor-collector if the seller fails to remit the tax. The applicant must present satisfactory documentation (invoice, bill of sale, etc.) to the assessor-collector that the tax was paid.

## Overpayment of Tax

---

Credit is **not** given to a seller for overpayment of tax. Motor vehicle tax is the obligation of the **purchaser**. If the audited taxable value is less than what was reported, credit is due to the purchaser, not to the seller.

## Dealer Plates (§152.027)

---

Dealer plates are the responsibility of the TxDMV, and the auditor should not be too concerned about their “misuse.” A dealer may place a metal dealer’s license plate if it is the type of vehicle the dealer normally sells. A dealer pays \$25 for each plate issued. This “tax,” paid to TxDMV, is in lieu of any motor vehicle sales or use tax. A dealer cannot use his dealer plates on any of the following:

- rental units
- wreckers,
- courtesy vans
- work vehicles
- a commercial vehicle carrying a load

If the auditor notices that a dealer has placed a metal dealer plate on any of the above types of vehicles, an audit adjustment should be made because the tax on those vehicles has not been paid.

## Scheduling and Write-Up

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The following procedures cover only those areas unique to audits of motor vehicle dealers. General procedures for audit write-up should be used as outlined in the *Auditing Fundamentals Manual*.

## Statute of Limitations

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The statute of limitations for motor vehicle tax is four years from the date the title application (Form 130-U) is filed or should have been filed, whichever is earliest. Audits on both sellers and purchasers should be performed as if the taxpayer were a monthly filer. For example, any errors noted for transactions during April 2017 should be scheduled for the period 1704. The due date for this period, for audit purposes, would be May 20, 2017. Penalties would begin on May 22, 2017, and interest would begin on the 61st day after May 21, 2007.

Auditors should be prepared to issue the statute waiver form if needed.

## Scheduling Errors

---

There is no scheduling program for entering adjustments to motor vehicle sales and use tax audits. Auditors must prepare Excel spreadsheets that contain the necessary documentation to support the adjustments being made. A sample Excel spreadsheet is included as an exhibit later in this chapter. A separate exam should be prepared for each type of error noted (disallowed trade-ins, understated sales prices, etc.). Tax adjustment totals per report period should be prepared for each exam and summarized on Summary of Tax Due. An audit adjustment report is prepared and used to enter information in the automated audit system.

See the *Auditing Fundamentals Manual* for more audit write-up procedures.

## Disallowed Trade-Ins vs. Understated Sales Price

---

Disallowed trade-ins should be **scheduled separately** from discrepancies involving understated sales prices. Examples of disallowed trade-ins include insurance proceeds, third-party trade-ins, trades of real or personal property, etc. When sampling, projection techniques are similar to those used for the limited sales tax, using the dealer's total new and used vehicle sales, if discrepancies are noted in both areas, as a base.

When determining percentages of error, separate percentages for disallowed trade-ins and understated sales values to total sales for the audit period should be calculated.

## Sampling and Projections

---

Although it is preferable to examine all motor vehicle sales in detail for the audit period, in many cases it is not practical.

Some additional factors should also be considered:

- the sample/projection must save time.
- the error must be projectable — the conclusion of the sample must extend to the entire population projected against.

With the ability to download a motor vehicle dealer's sales from TxDMV data, a sample and projection of a motor vehicle audit now fairly closely follow the procedures for limited sales and use tax audits. The downloaded Excel spreadsheet allows the auditor to obtain population bases, segregate the sales with trade-in vehicles, segregate the tax-free transactions, obtain monthly totals, etc.

Refer to the *Sampling Manual* for detailed information on the Comptroller's sampling policies and procedures.

Refer to the *Auditing Fundamentals Manual* for further information on audit write-up procedures.

## Transfer of Title and Payment of Tax Prior to Billing

---

If the taxpayer transfers titles and pays motor vehicle taxes due on vehicles scheduled as audit adjustments prior to the completion of the audit write-up, the auditor should accept **copies** of the tax receipts and schedule them separately. These title transfer and payments will be considered as audit payments. A reference should be made on the schedule back to the exam, page and line on which the transaction is scheduled. This additional schedule will be an exhibit to the audit and will facilitate calculation of penalty and interest on transactions paid. Include the copies of the tax receipts in the audit package.

## Penalty and Interest Calculations

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Penalty and interest procedures do not differ from those discussed in the *Auditing Fundamentals Manual*.



**Tax Adjustment Summary**

XYZ Credit Motors  
 Anytown, TX  
 Tax Adjustment Summary

JS

Exam 100  
 08/24/2016  
 TP#3234678903

PERIOD	Exam 101	Exam 102	Total Audited Tax Due
1503	735.00	-	735.00
1504	302.50	187.50	490.00
1505	593.00	-	593.00
1508	690.00	-	690.00
1512	899.99	356.25	1,256.24
1602	300.00	250.00	550.00
<b>TOTAL</b>	<b>\$ 3,520.49</b>	<b>\$ 793.75</b>	<b>\$ 4,314.24</b>

**Exam 101**

**XYZ Credit Motors**  
**Anytown, TX**

**JS**

**Exam 101**  
**08/24/2016**  
**TP#3234678903**

**3**

**Understated Sales Price**

1 Period	2 Customer Name	3 Contract Date	4 Auto Vin #	5 Auto Description	6 Auto Plate #	7 Sales Price
	(1)	(1)	(1)	(1)	(1)	(1)
1503	Bubba Jones	03/20/2015	1FXXXXXXXX	Ford	299XXX	4,844.00
1503	John Gordon	03/22/2015	1FXXXXXXXX	Ford	XXX94X	5,844.00
1503	Debbie Johnson	03/23/2015	TEXXXXXXXX	Toyota	767XXX	4,700.00
1503	Total Tax Due					
1504	Pat Mabry	04/16/2015	JP-XXXXX	Dodge	006XXX	6,550.00
1504	Total Tax Due					
1505	Chacho Gonzalez	05/19/2015	1B-XXXXXXXX	Pontiac	053XXX	7,500.00
1505	Teresa Wendt	05/22/2015	TE-XXXXXXXX	Toyota	803XXX	4,500.00
1505	Total Tax Due					
1508	Manuel Lopez	08/10/2015	1M-XXXXXXXX	Mercury	242XXX	5,995.00
1508	Particia Rodriguez	08/12/2015	14-XXXXXXXX	Chevrolet	BCKXXX	7,895.00
1508	Total Tax Due					
1512	Becky Helms	12/11/2015	9C-XXXXXXXX	Chevrolet	BLDXXX	6,500.00
1512	Bonnie Davis	12/19/2015	1M-XXXXXXXX	Mercury	134XXX	5,495.00
1512	Charla Wallace	12/19/2015	2N-XXXXXXXX	Nissan	DDDXXX	4,495.00
1512	Nina Porter	12/20/2015	TE-XXXXXXXX	Toyota	EF7XXX	5,675.00
1512	Total Tax Due					
1602	Ben Garcia	02/14/2016	1N-XXXXXXXX	Honda	555XXX	7,895.00
1602	Total Tax Due					
Total Tax Due						

**Footnotes:**

- (1) From Sales Contract  
(2) From TxDMV files  
(3) Tax Collected - Tax Remitted (Col 10 - Col 11)

Monthly totals per Column 13 forwarded to Exam 100

The above schedule is an example. Each schedule/exam should be tailored to fit the auditor's specific needs.

8	9	10	11	12	13
Taxable Value	Tax Due	Tax Collected	Tax Remitted	Transfer Date	Audited Tax Due
(1)	(8 X 6.25 percent)	(1)	(2)	(2)	(3)
4,844.00	302.75	302.75	40.25	03/31/2015	262.50
5,844.00	365.25	365.25	92.75	03/31/2015	272.50
4,700.00	293.75	293.75	93.75	03/31/2015	200.00
					735.00
6,550.00	409.38	409.38	106.88	04/30/2015	302.50
					302.50
7,500.00	468.75	468.75	106.25	05/30/2015	362.50
4,500.00	281.25	281.25	50.75	05/30/2015	230.50
					593.00
5,995.00	374.69	374.69	74.69	08/31/2015	300.00
7,895.00	493.44	493.44	103.44	08/31/2015	390.00
					690.00
6,500.00	406.25	406.25	106.25	12/31/2015	300.00
5,495.00	343.44	343.44	143.44	12/31/2015	200.00
4,495.00	280.94	280.94	80.94	12/31/2015	200.00
5,675.00	354.69	354.69	154.69	12/31/2015	200.00
					899.99
7,895.00	493.44	493.44	193.44	02/28/2016	300.00
					300.00
					3,520.49

**Exam 102**

**XYZ Credit Motors**  
**Anytown, TX**

**JS**

**Exam 101**  
**08/24/2016**  
**TP#323467890**

**3**

**Disallowed Trade-Ins**

	1	2	3	4	5	6	7	8
Period	Customer Name	Contract Date	Sold Auto Vin#	Sold Auto Description	Trade-In Auto Vin #	Trade-In Auto Description	Sold Auto Plate	Trade-In Auto Plate
	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
1504	SID JAMESON	04/10/2015	TE-XXXXX	TOYOTA COROLLA	N/A-JOHN DEERE TRACTOR		032-XXX	N/A
1504	Total Tax Due							
1512	PABLO GARCIA	12/14/2015	9CG-XXXX	CHEVY TAHOE	99-XXXXX	CHEVY SUBURBAN	RAGXXX	AGXXXX
1512	KIM JOHNSON	12/15/2015	TRC-XXXX	TOYOTA CAMRY	TC-XXXXX	TOYOTA COROLLA	DX8XXX	762XXX
1512	Total Tax Due							
1602	GEORGE PEREZ	02/11/2016	2X-XXXXX	HONDA CIVIC	2N-XXXXX	HONDA CIVIC	318XXX	125XXX
1602	Total Tax Due							
Total Tax Due								

## FOOTNOTES

- (1) FROM SALES CONTRACT
- (2) SALES PRICE - TRADE-IN AMOUNT ALLOWED
- (3) TAXABLE VALUE X .0625
- (4) FROM TxDMV FILES
- (5) TAX DUE - TAX REMITTED (Column 13 - Column 15)
- (6) TRADE IN DISALLOWED SINCE NOT A MOTOR VEHICLE
- (7) CUSTOMER DID NOT TRADE IN VEHICLE-SOLD TO NEIGHBOR
- (8) NO VEHICLE TRADED IN - TRADE-IN DID NOT EXIST

Monthly totals per Column 17 forwarded to Exam 100.

The above schedule is an example. Each schedule/exam should be tailored to fit the auditor's specific needs.



9	10	11	12	13	14	15	16	17
Fn	Sales Price	Trade-In Amount Allowed	Taxable Value	Tax Due	Tax Collected	Tax Remitted	Transfer Date	Audited Tax Due
	(1)		(2)	(3)	(1)	(4)	(4)	(5)
(6)	5,675.00	-	5,675.00	354.69	167.19	167.19	04/20/15	187.50
								187.50
(7)	6,500.00	-	6,500.00	406.25	187.50	187.50	12/21/15	218.75
(7)	4,700.00	-	4,700.00	293.75	156.25	156.25	12/21/15	137.50
								356.25
(8)	7,995.00	-	7,995.00	499.69	249.69	249.69	02/20/16	250.00
								250.00
								\$ 793.75

## Chapter 5

# Auditing Dealers Without Records

- Introduction
- Used Vehicle Dealer
- Seller-Financed Dealers
- Note Dealers
- Financing Information
- Maintaining Records
- Pre-Audit Research
- Entrance Conference
- Initial Review of Records
- Dealer Adamantly Claims He Has No Records
- Procedures for Inadequate Records
- Examination of Records
  - Bank Deposits
  - Accounts Receivable
  - Financing Agreements
  - Customer Verification Letter
  - Customer Verification Letter Example
  - Lienholder
  - Mark-Up Procedures
  - Establishing Trends
  - Void Sales
  - Documentation
  - Title History
- Examples
  - Tax and Title Copy
  - Odometer Disclosure Statement
- Projection Techniques
- Transfer of Title and Payment of Tax Prior to Billing
- Payment of Liability
- Penalty and Interest

## Introduction

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Motor vehicle dealers who do not repair vehicles or sell auto parts may not be permitted for limited sales tax. If they aren't, obtain the necessary information regarding the dealer during the initial contact, either the telephone contact or the entrance conference.

This chapter deals mainly with motor vehicle dealers who have insufficient records; state that they do not have any records; or refuse to make the necessary records available to the auditor. Auditors shouldn't treat the lack of records any differently than similar situations in audits of other taxes. During the fieldwork, the auditor should locate other sources to obtain the information needed to complete the audit. Flexibility and a creative approach in the audit procedures is a necessity.

## Used Vehicle Dealer

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Audit a used vehicle dealer in the same manner as a new vehicle dealer, if records are available.

Used vehicle dealers sometimes refer to invoices and/or customer contracts as “top sheets” or “deal sheets.”

If a dealer doesn’t have sales records, will not provide them or has insufficient records to perform the audit, the auditor must resort to alternative sources that will be discussed later in this chapter.

## Seller-Financed Dealers

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Used car dealers who finance the vehicles they sell often are called seller-finance dealers, “note dealers” or “tote-the-note dealers.” Dealers who finance vehicles must be permitted with the Comptroller and pay tax to the Comptroller on their receipts as they are received. A separate chapter in this manual is dedicated to seller-financed dealers.

## Financing Information

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Normally, the financing agreement and sales contract/invoice are on the same form.

The Texas Office of Consumer Credit Commissioner provides stiff penalties for dealers who:

- do not properly disclose the necessary financing information;
- do not provide a copy of the financing agreement to the purchaser; or
- do not retain a copy for their files.

The auditor should find a copy of the financing agreement at the dealer’s location for every sale.

## Maintaining Records

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An auditor rarely encounters a motor vehicle dealer without any records. Most of these dealers are merely **claiming** they do not maintain records. As with limited sales and use tax, the absence of accounting records will not preclude the Comptroller from assessing a tax liability on an audit.

## Pre-Audit Research

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Pre-audit research does not differ from the procedures used in auditing dealers with records. The TxDMV sales records for any motor vehicle can be downloaded in Excel to the auditor’s computer (Refer to Chapter 4). Certain observations can be made while reviewing the TxDMV database.

- Examine the sales price of vehicles to see if they are realistic when compared with the description of the vehicles. If they aren’t, the dealer could be understating the values.  
Example: Vehicle – 2005 Lexus  
Sales Price - \$2,800
- Examine the trade-in allowance to see if it is realistic when compared with the description of the vehicle traded in.  
Example: Vehicle – 1987 Ford Escort  
Trade-in Allowance - \$5,500
- Sort the Excel spreadsheet in a manner that allows a review to note when a vehicle is used as a trade-in more than once.
- Note any non-motor vehicles being claimed as trade-ins.

The auditor should be aware that the TxDMV information on file may not contain all of a dealer's transactions. On some occasions, especially in the sale of used vehicles, a dealer may show the prior owner of a vehicle as being the seller. In such cases, TxDMV records will not show the dealer as being the true seller. This is a TxDMV violation, but dealers continue to register vehicles in this manner.

## Entrance Conference

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The entrance conference with a motor vehicle dealer shouldn't be any different than that for other taxpayers. The sections below are merely restatements of the section in the *Auditing Fundamentals Manual* dealing with the entrance conference.

Find out what type of records are maintained, how far back they are available and where they are located.

Many motor vehicle dealers are not accustomed to providing information about their business to anyone, especially a Comptroller auditor. The auditor should inform the dealer that he or she is **required** to provide certain standard information.

If a dealer is not cooperating with the auditor's request for information, the auditor should be persistent and not accept alternative documentation until it has been verified. Auditors should not waiver in their request for documentation. If the dealer still insists he does not have any records, or the records the auditor is requesting, the auditor should notify the Comptroller's general counsel, who will then notify the dealer of the legalities involved.

The auditor should follow the instructions in Auditing Fundamentals Manual regarding the issuance of a subpoena to try to obtain the records needed for audit field work.

Audit objectives should not vary from audit to audit.

## Initial Review of Records

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A study of internal control, or the absence thereof, as well as a possible dollar error range, should help guide the auditor in deciding how much testing is necessary and how much time the audit may take.

The auditor should be aware of the potential of falsification schemes involving sales contracts, financing agreements, title applications, accounts receivable, etc.

## Dealer Adamantly Claims He Has No Records

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Occasionally, a dealer will adamantly contend that he does not have any records. Here are some questions the auditor might ask:

- "How do you prepare your federal tax return?"
- "How can you tell if you're making any money on your deals?"
- "How do you keep track of all the names, addresses and phone numbers of people who owe you money?"

The auditor should ask questions to persuade the dealer to provide the requested records. If the dealer still claims he has no sales records, try the following alternatives:

- bank deposits — checks may be listed by customer's last name to cross-reference to your data.
- cars purchased for resale or taken in trade and not sold should remain on the lot.
- ask to see the titles for vehicles on the dealer's sales lot.

Although mark-up or estimating sales prices may be difficult to perform, a true lack of records would necessitate this procedure.

If the dealer fails to provide the records necessary for the performance of an audit, the auditor may need to consider issuing a subpoena. A notice of estimation may be needed before proceeding with audit procedures.

## Procedures for Inadequate Records

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When records are inadequate, use one of the following sources to verify sales, trade-in information and tax collected, as shown on the title application:

- bank deposits
- accounts receivable files
- financing contracts
- form letters mailed to purchasers (refer to the “Form Letter to Purchaser” section in this chapter for more information on customer verification letters.)
- information obtained from the lienholder, if the lienholder differs from the motor vehicle dealer

## Examination of Records

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### **Bank Deposits**

Bank statements (for checking accounts, certificates of deposit, money market funds, savings accounts, etc.) should be examined thoroughly in case liens must be filed. Use bank deposits as an alternative source to verify the population, if better records are unavailable. Try to obtain **all** bank accounts, as the dealer may maintain more than one. Bank account balances may not include cash receipts used to pay personal and business bills, or may include other income not related to retail sales — wholesale sales, proceeds from personal loans, interest, etc.

### **Accounts Receivable**

Obtain the current accounts receivable and schedule all transactions for which titles have not been transferred, if the dealer is not permitted as a seller-finance dealer. If the dealer *is* permitted as a seller-finance dealer, refer to Chapter 7 of this manual.

Frequently, dealers may rush down to the county courthouse before an audit is finalized, to register vehicles and pay the taxes due to avoid penalty and interest. Such payments are considered audit payments and penalty and interest still will be assessed.

Accounts receivable records are a good audit source in the absence of actual sales contracts. Be aware, however, that these records may be understated because they do not include cash down payments, insurance settlements or trade-ins.

### **Financing Agreements**

As previously mentioned, due to strict penalties enforced by the Texas Office of Consumer Credit Commissioner, dealers normally retain copies of financing agreements in their files. Caution should be used when using these, however, as they may not provide accurate sales information.

As with all audits, a short test of internal controls when documenting a taxpayer’s procedures is helpful in selecting audit procedures.

### **Customer Verification Letter**

The Comptroller’s general counsel wrote and approved the customer verification letter. In its first paragraph, the purchaser is asked to indicate whether he/she paid the tax to the seller. If the purchaser **did not** pay this tax, the remainder of the information should not be completed. This letter should not be sent to purchasers other than non-permitted individuals. Comptroller auditors have the authority to contact a business and examine records. The auditor should be aware, however, that response rates to verification letters are low. Many if not most people will have moved since the transaction without leaving a forwarding address.

**COMPTROLLER OF PUBLIC ACCOUNTS**  
STATE OF TEXAS  
AUSTIN, 78774

March 30, 2016

Mr. Dale Hopkins  
18 New Road  
West, Texas 76830

Dear Motor Vehicle Purchaser:

In order to verify information on file in the County Tax Collector's Office, your motor vehicle purchase transaction is being checked by the State Comptroller. The record shows the following information:

County	Make of Vehicle	Model Year	License #	License Year
Travis	Buick Regal	2005	469BTD	2006

WAS TEXAS SALES TAX PAID TO THE SELLER ON THIS TRANSACTION? \_\_\_\_\_

If you did not pay tax to the seller, you do not have to furnish any additional information.

Please return this form immediately in the enclosed return envelope.

If you did pay tax to the seller, please furnish the information requested below and return the form within five (5) days in the enclosed return envelope. The information that you will provide will NOT be used to assess any tax against you on the purchase.

I would like to thank you in advance for your cooperation in this request. If you have any questions regarding this request for information, you may contact the individual named below.

Sincerely,

Auditor

VEHICLE PURCHASED

Purchase Price	Trade-In Allowance	Tax Paid
\$19,700	\$1,500	\$1,137.50

VEHICLE TRADED

Make of Vehicle	Model Year	Vehicle I.D. or License Plate No.
Somerset	1991	229TKL

Source of Information

sales invoice, contract or written document \_\_\_\_\_ financing agreement  
\_\_\_\_\_ cancelled check \_\_\_\_\_ your memory \_\_\_\_\_ other, specify \_\_\_\_\_

SIGN

HERE Dale Hopkins 4-30-2016 512-475-0610  
Purchaser Date Phone Number

Before issuing such letters, the auditor should obtain a group supervisor's and/or manager's approval.

**Lienholder**

If the lienholder on a vehicle and the dealer are different people, the lienholder can provide independent third-party verification of a transaction.

If the lienholder is the entity that floor-plans the dealer's stock, they may be able to provide the description and VIN number of all units financed, whether a financing company, bank or individual. This information is helpful if a markup becomes necessary.

**Mark-Up Procedures**

Using mark-up procedures to assess a liability isn't necessarily the best method available, but it may be necessary if records are incomplete. In many instances, it's difficult to establish the sales price by marking up purchases because the condition of the vehicle is unknown.

The major auto brokers supplying the dealer must be identified. Make contact during regular business hours to obtain access to their records concerning sales to the dealer. This will allow the auditor to determine about how many units have been purchased.

**Establishing Trends**

Make an attempt to verify transactions and errors occurring during different periods in the audit. This will establish a trend throughout the entire audit period that can support error projections in an estimated audit.

**Void Sales**

Cancelled or refunded retail sales should be marked clearly in the taxpayer's records. If a dealer claims that a sale was voided and the customer's deposit, down payment or trade-in was returned, verify this with receipt books or bank statements. If there was no consideration, there was no sale.

A sale in which the entire down payment was **not** returned is a taxable sale based on the extent of the non-refunded consideration.

**Documentation**

Different types of errors should be scheduled on separate exams. For example, an auditor who has noted errors for disallowed trade-ins and understated sales prices should employ two different exams in the audit, one for each type of error.

Footnotes should be used to explain why a transaction was set up. Copies, if possible, should be made of documents reviewed for each type of error scheduled. These will be exhibits in the audit.

Good documentation will become necessary if the taxpayer requests a redetermination hearing. Copies of documents noting "irregularities" within the audit, concise explanations of audit procedures in the audit plan and clearly documented contacts and conversations will help support any unusual audit procedures that may have been used (sample/projection due to inadequate records, estimations using mark-up procedures, etc.).

For more information on scheduling, refer to Chapter 4.

**Title History**

Title histories are very useful in motor vehicle tax audits. A title history traces a motor vehicle from when it is first titled in Texas until it finally ceases to be an operating motor vehicle. A title history should document the surrender of the manufacturer's certificate of origin for a vehicle, the first titling to a registered owner in Texas and each transfer to subsequent owners.

Title histories can be used to validate reported trade-ins. For example, was the title assigned to the dealer? Does the title history document a sale from the dealer to a subsequent purchaser?

Title histories may be requested from (TxDMV). Complete TxDMV's request for Texas motor vehicle information form and email it, along with an Excel spreadsheet listing the vehicles in question, to the audit supervisor, who will forward it to a subject-matter expert in Audit headquarters. Make sure the spreadsheet includes purchaser names, VIN numbers and year/make/model information.

A title history on a vehicle, especially if ownership has been transferred numerous times, can require significant time to research. Therefore, do **not** request title histories for all the vehicles in the audit. If the purpose is to disallow trade-ins, only request title histories on a representative sample of vehicles. Once a pattern has been established that trade-ins are bogus, either disallow **all** reported trade-ins or the percentage established from the title histories, as applicable.

**Examples**

**TAX COLLECTOR'S RECEIPT FOR TEXAS TITLE APPLICATION/REGISTRATION/MOTOR VEHICLE TAX**

7895348 01010586V 111894 01010586V 110 95 LW9822 01010586V LW9822 722.84 111894 1

1. Number of current registration: 111894  
 2. Registration fee paid: 01010586V  
 3. License fee paid: 110  
 4. Title fee paid: 95  
 5. License number: LW9822

6. OWNER: Sam Texan, 111 E. 17th Street, Austin, Texas 78774  
 7. Classification: 02  
 8. Weight: .60  
 9. Empty weight: 2900  
 10. Capacity: 1000  
 11. Gross weight: 3900  
 12. Year: 94  
 13. Make: FORD  
 14. Body style: PK  
 15. Color: MCO  
 16. Vehicle identification number: 1FTCR10A4RPB78743  
 17. Color: A  
 18. Recommended title fee: 9  
 19. Title reg./license fee: 42.46  
 20. Dealer fee: N/A  
 21. Penalty: 12  
 22. Tax on sales: 13.00  
 23. Title appl. fee: 7.50  
 24. Tax Assessor/Collector: GLORIA K. CLENNAN  
 25. County: COMAL  
 26. County no.: 46  
 27. Deputy: BMC  
 28. Local fees: 7.50

29. 1ST LIEGSHOLDER: BANK OF AMERICA TEXAS NA, 1925 W JOHN CARPENTER FRWY, IRVING TX 75063  
 30. BILLER: BLUEBONNET MOTORS INC NEW BRAUNFELS TX  
 31. Sales price: 10858.00  
 32. Trade in: 300.00  
 33. Taxable value: 10558.00  
 34. Tax: 659.88  
 35. Tax paid to other states: 0  
 36. Penalty: 0  
 37. TAX & PENALTY PRGD: 659.88

Form 31 (Rev. 10/92) 49.96

**TAX AND TITLE COPY 1**

The form above is an example of an old Form 31 tax receipt, which was issued prior to the creation of the TxDMV online registration system. A more current title history would include a copy of the tax receipt currently being issued by the county tax assessor-collector. A copy of that form is shown in Chapter 1.



**ODOMETER DISCLOSURE STATEMENT**

**IMPORTANT:** THIS AFFIDAVIT **MUST** BE ATTACHED TO ALL TITLE TRANSACTIONS, WITH THE EXCEPTION OF THE EXEMPTIONS LISTED ON THE BACK SIDE OF THIS FORM, WHEN TRANSFERRING OWNERSHIP OF A VEHICLE ON AND AFTER APRIL 29, 1989.

VEHICLE DESCRIPTION			
FORD	1FTCR10A4RPR78767		
96	RANGER	PU	
Year	Model	Body Style	

**ODOMETER INFORMATION (TO BE COMPLETED BY TRANSFEROR (SELLER/AGENT))**  
 FEDERAL AND STATE LAW REQUIRES THAT YOU STATE THE MILEAGE UPON TRANSFER OF OWNERSHIP. FAILURE TO COMPLETE OR PROVIDING A FALSE STATEMENT MAY RESULT IN FINES AND/OR IMPROVEMENT REJECTION BY THE STATE.

I, SHERRY HEINEMEYER, state that the odometer now reads \_\_\_\_\_ miles and to the best of my knowledge that it reflects the actual mileage of the vehicle described above, unless one of the following statements is checked.

1. I hereby certify that to the best of my knowledge the odometer reading reflects the amount of mileage in excess of its mechanical limits.

2. I hereby certify that the odometer reading is NOT the actual mileage.  
 \* WARNING-ODOMETER DISCREPANCY.

Sherry Heinemeyer \_\_\_\_\_ 11/07/06  
 Signature Date of Statement  
 SHERRY HEINEMEYER

Printed Name (Same as Signature)  
 2117 RAINBOW HYPACK TP  
 NOTE: If listed as a firm's name, print the firm's name on the line above  
 715 N. GUYTON

Street Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 1117 DRAVYVILLE TX 78130

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_ 19\_\_  
 23rd NOVEMBER 06

NOTARY SEAL \_\_\_\_\_ Notary Public  
 \_\_\_\_\_ County, Texas

**ACKNOWLEDGMENT OF ODOMETER DISCLOSURE BY TRANSFEREE (BUYER/AGENT)**

Sam Tolan \_\_\_\_\_ 11/07/06  
 Signature Date of Statement  
 SAM TOLAN

Printed Name (Same as Signature)  
 NOTE: If purchased by a firm, print the firm's name on the line above  
 111 E. 17th Street

Street Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Austin TX 78774

State Department of Highways and Public Transportation, Division of Motor Vehicles  
 Form 40 (Front) Rev. 4-89

## Projection Techniques

Use all available sources to determine a percentage of understatement of the transactions verified. Once this percentage is calculated, it can be applied to **all** periods in the audit using one of the following methods:

### Method #1:

Using all transactions from TxDMV as a base, obtain a percentage of understatement for verified sample transactions. Rather than scheduling all transactions, the auditor can apply the markup percentage to monthly totals. This marked-up amount will be the additional amount subject to tax.

### Method #2:

Using federal income tax returns as a base:

- determine a sample period for which all transactions are available;
- mark up transactions for the sample period by the percentage of understatement obtained from the transactions verified by alternative sources. This will be the additional taxable value for the sample period. It isn't necessary to schedule all transactions to be marked up — monthly totals of taxable values, as shown on the transactions, can be used; and
- obtain a percentage of understatement for the sample period and apply this percentage to total income for all periods in the audit.

**Note:**

Before using Method #2, determine that the income shown on the federal income tax returns appears to be correctly stated, or at least reasonable. Method #2 should be used **only** if the auditor knows that some dealer sales aren't included in the TxDMV data.

Neither of these methods may work due to inadequacies within the records. In such cases, the main key to sampling and projections is flexibility and creativity. Using the best information available, the auditor should decide how to proceed. The sample base denominator and the population base should be as consistent as possible.

Problem areas when establishing a population base can include the following:

- financial statements presented to lending institutions could contain inflated sales figures. The dealer would want to present a positive financial condition to maintain financing arrangements.
- bank statements may show large cash deposits unrelated to receipts from vehicle sales (e.g., interest income from CDs, earnings from another job on the side or money received from loans).
- bank statements could be understated because the taxpayer may not deposit all cash payments.
- federal income tax returns could be understated because the dealer doesn't want to pay income taxes.
- the sales journal may not include cash sales transactions and could be posted haphazardly.
- bank statements will include retail and wholesale sales and interest charges. Ideally, the base should reflect only retail sales.

The auditor should find and use the best available records to produce a supportable audit and complete it in a timely, cost-efficient manner. The auditor may have to use special auditing techniques to finalize the audit.

## Transfer of Title and Payment of Tax Prior to Billing

---

During the course of an audit, adjustments may be made for transactions that were not registered in the purchaser's name at the county tax assessor-collector's office. If the dealer transfers title prior to the completion of the audit write-up, the auditor should accept copies of the tax receipts and schedule them separately. Reference should be made to the exam page and line at which the transaction was previously scheduled. This additional schedule will be an exhibit to the audit and will facilitate calculation of penalty and interest on transactions already paid. The tax receipts should be included as exhibits to the audit. These subsequent transfers of title and payment of taxes due will be considered audit payments.

## Payment of Liability

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Advise the taxpayer to pay the audit liability to the Comptroller regardless of agreement or disagreement with the audit findings. The dealer should be advised that even a partial payment stops further interest from accruing on the tax amount paid.

## Penalty and Interest

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Penalty and interest procedures will not differ from those discussed in the *Auditing Fundamentals Manual*. The penalty will be waived only rarely.

## Chapter 6

# Auditing Individuals And Nondealers

Introduction  
Purchasers  
Verification Procedure  
Audit Assessments  
Out-of-State Registrations  
Credit for Tax Paid to Another State  
Other Sellers  
Auto Brokers

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## Introduction

In addition to transactions involving dealers, transactions often take place between individuals and other business entities.

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## Purchasers

The initial procedure in auditing a purchaser is a review of capital assets to determine if any motor vehicles were purchased during the audit period. Depreciation schedules, general ledger and federal income tax returns are good sources for this information.

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## Verification Procedure

When vehicle purchases have been made, compare the amounts shown on the taxpayer's copy of the tax receipt with the seller's purchase invoice. If the invoice isn't available, the new purchase price may be determined by a review of checks, a cash disbursements journal or other records.

Some unreported taxable transactions frequently discovered in examinations of purchasers are due to intercompany vehicle transfers, transfers of vehicles from a business to an individual or vice versa. These types of transfers often will not be re-registered in the new owner's name, and thus the tax will not be paid. In this type of transaction, an invoice normally will not be issued and the value will have to be determined from book value at the time of transfer.

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## Audit Assessments

If differences between tax paid and tax that should have been paid are disclosed, the tax should be assessed against the purchaser.

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## Out-of-State Registrations

Taxpayers often register vehicles in neighboring states. The taxpayer may have business locations in Texas and the neighboring state, or the taxpayer may reside in an out-of-state city that borders Texas.

In other cases, the out-of-state registration may have been used to take advantage of a lower tax rate.

Use tax is due on out-of-state registered vehicles operated on Texas highways by a Texas resident or by a person domiciled or doing business in Texas.

## Credit for Tax Paid to Another State

---

If use tax is assessed, the taxpayer generally is allowed credit for legally imposed sales or use taxes paid to another state. Rule 3.90 states that credit may be denied only when the vehicle never left Texas before being registered out of state. The auditor must be able to prove this, however.

If the vehicle was purchased tax-free in Texas for exclusive out-of-state use, and it can be documented that the vehicle never left Texas before being registered out of state, credit is **not** given for tax paid to the other state. The purchaser would have to apply to the other state for a refund of taxes paid in error as the tax was not legally due the other state.

## Other Sellers

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Other sellers include rental and/or leasing companies and business entities that offer vehicle fleets for sale. The audit procedures outlined in Chapters 8 and 9 should be followed.

## Auto Brokers

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In addition to vehicle dealers previously discussed, auto brokers commonly buy and sell vehicles.

When auditing an auto broker, his or her legal status as a seller must be determined first. Is the broker a Texas licensed motor vehicle dealer?

If a broker does not take assignment of vehicle titles or manufacturer's certificates of origin, but in effect sells vehicles **for** the assigned title owner, he is operating as an agent or salesman and as such does not incur a seller's responsibilities or liabilities.

If the title is assigned to the broker, he then becomes the legal seller and must furnish the buyer with all documents needed to register the vehicles.

If the broker is a permitted motor vehicle dealer, or **should be** a permitted motor vehicle dealer, follow the audit procedures outlined in Chapters 4 and 5.

## Chapter 7

# Seller-Financed Sales

Sellers Must Collect Tax  
Collecting the Tax  
Acceleration of Tax  
Pledging a Motor Vehicle  
Transferring Title  
Records  
Other Topics  
Exhibit — Motor Vehicle Seller-Financed Sales Tax Report

### Sellers Must Collect Tax

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Motor vehicle sellers who hold a dealer license from the Texas Department of Motor Vehicles and finance the vehicles they sell are required to collect tax on those sales. The dealer must obtain a motor vehicle seller financed sales tax permit and will be required to file a return and remit the proper tax to the Comptroller's office. Taxpayers may be required to file monthly or quarterly, depending on the amount of tax due. The due date of the return will be on the 20th of the month following the end of the report period.

Beginning with reports originally due on or after October 1, 2011, motor vehicle seller-financed dealers are assessed a \$50 penalty for late filing. The penalty will be assessed even if the dealer subsequently files the report, and whether or not any taxes or fees were due from the dealer for the period covered by the late report.

The seller-financed dealer must apply for a Texas title and transfer it to the vehicle in the purchaser's name within 45 days of the date of sale as required by §152.069. If the seller-financed dealer fails to apply for registration and a Texas certificate of title by the 60th day after the date of sale the seller is liable for all unpaid tax based on the total consideration. Tax must be sent to the Comptroller's office on or before the 20th day of the month for the reporting period in which the failure occurred, as required by §152.047 and Rule 3.74.

Sellers who use third-party lenders or sell only for resale are not affected. The tax is paid to the county tax assessor-collector for third-party financed sales and cash transactions.

### Collecting the Tax

---

Regardless of the seller's accounting method, the tax should be collected as the seller receives payments from the purchaser. The tax is based on the amount of the payment. The seller is liable only for tax on the payments received, and not on separately stated interest charges. The tax rate is 6.25 percent.

Interest is assumed to accrue and to be paid by the purchaser on a straight-line basis.

The tax due should be reported as follows:

\$ 5,000.00 = Sales Price of Vehicle
x .0625 = Tax Rate
-----
\$ 312.50 = Total Tax Due on the Vehicle

Assuming the seller is a monthly filer and that the purchaser will make monthly payments for 36 months, the seller should remit \$8.68 in taxes each month for this transaction.

If the purchaser defaults after making two payments and the seller repossesses the vehicle, a total of \$17.36 in taxes should be remitted. No additional taxes would be due on the bad debt written off.

If the vehicle subsequently is sold to another buyer and the dealer/seller finances the sale, tax is due on this transaction as the seller receives the payments.

In addition to the 6.25 percent motor vehicle sales tax, the seller-finance dealer must also collect the 2.5 percent or 1 percent surcharge on qualifying on-road diesel motor vehicles.

See exhibit of a motor vehicle seller-financed sales tax report later in this chapter.

### **Acceleration of Tax**

If the selling dealer transfers the right to receive payments on a sale, the dealer is liable for the unpaid tax due on the total consideration and must report and remit that amount in the report for the period in which the transfer of the right is made. The dealer may not take a deduction on the amount of tax due even if he or she sells the right to receive payments at a discount. The right to receive payments is transferred and the tax remittance accelerated regardless of recourse to the seller or any other condition. A bad-debt deduction cannot be taken if the motor vehicle purchaser fails to make payments that are determined to be uncollectible by the dealer's transferee or assignee (§152.047(g)).

### **Example:**

ABC Motors, Inc., a monthly filer, sells a vehicle to a purchaser for \$10,000 on September 1, 2016, and finances the transaction for 36 months. The \$625 in tax due will be collected and reported to the Comptroller's office over the 36-month period.

On December 1, 2016, ABC Motors assigns the note to ABC Finance, Inc., a separate legal entity. ABC Motors has collected and remitted \$52.08 to the Comptroller's office. The balance of the unpaid tax due of \$527.92 must be reported on ABC Motors' December 2016 tax report, which is due by January 20, 2017.

### **Related Finance Companies**

Many seller-finance dealers set up separate corporations to act as finance companies (a "related finance company"). The Comptroller's office has taken the position that, even if the same individual(s) are sole stockholder(s) in both the dealership and the finance company, the finance company is considered to be a separate legal entity.

As of July 1, 2007 (Senate Bill 1617), if a seller-financed dealer assigns or factors a note to a qualifying related finance company, the remaining tax does not accelerate. The dealer will continue to collect and remit the remaining tax due as each payment is received from the purchaser. A qualifying related finance company is one in which at least 80 percent of the ownership is identical to that of the dealer that sells the note.

Each qualifying related finance company to which the dealer sells notes must submit a completed registration form (AP-222) to the Comptroller's office. The form is available online.

Tax due will continue to accelerate when a note is sold to an unrelated lender, a non-qualifying related finance company or a related finance company that is not registered with the Comptroller's office at the time that notes are assigned or factored.

As of January 1, 2016, related finance companies no longer are required to renew their registration or pay an annual registration fee. Registrations remain effective until cancelled.

## Pledging a Motor Vehicle Note

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As of June 15, 2007, a motor vehicle seller-financed dealer is not considered to have factored, assigned or transferred a note if any of the following apply:

- the note is pledged as security for the sale of bonds;
- the right to receive payments and the risk of loss on nonpayment by the buyer remains with the motor vehicle seller-finance dealer or a qualifying, registered related finance company; or
- bondholders receive only interest and principal.

## Transferring Title

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The dealer and the purchaser must complete Form 130-U. The application should indicate the total consideration or sales price of the vehicle, any trade-in allowed on the transaction, the taxable amount and the amount of tax due. The tax due, however, is not paid to the county tax assessor-collector; this is a tax-free registration. The seller should claim an exemption, state on the applicable line that this is a "Seller Financed Sale" and show the tax permit number. In addition, the seller, RFC or floor-planner should be shown as lienholder (see exhibit later in this chapter).

If the title to the vehicle under a seller-finance sale is not transferred within 60 days from the date of the sale, the tax will be due on the entire sales price, not just receipts received. The total tax then would be submitted on the seller-finance dealer's next return.

## Records

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Complete records must be retained on all sales. All gross receipts of sellers who finance their own sales will be assumed to be subject to tax.

A seller must provide evidence that the receipts are not from a seller-financed sale. Many seller-financed dealers have software packages that track dealer sales and all receipts for each vehicle sold.


## Other Topics

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A dealer/seller who finances sales could still elect to submit the total tax due "up front" by paying the tax to the tax assessor-collector upon transfer of the title to the purchaser within 30 calendar days of the date of sale.


For dealers/sellers that finance their own sales and are not permitted with the Comptroller, assume they intended to pay the tax up front on all transactions. Tax should be paid to the tax assessor-collector within 30 calendar days from the date of sale. Close attention should be paid to vehicles that have been repossessed and resold numerous times. Title should have been transferred to the purchaser and the total tax paid on **each** of these retail sales.

Texas Motor Vehicle Seller-Financed Sales Tax Report



14-117  
(Rev. 10-16/14)





PRINT FORM CLEAR FIELDS

**Texas Motor Vehicle Seller-Financed Sales Tax and/or Surcharge Report**

a. **78100** Do not write in shaded areas.

c. Taxpayer number

d. Filing period

e.

f. Due date

g. Name and mailing address (Make any necessary name or address changes below.)

**h. IMPORTANT**

Blacken this box if your mailing address has changed. Show changes by the preprinted information. 1.

Blacken this box if you are no longer in business and write in the date you went out of business. 2.

Month

--

Day

--

Year

--

i.

j.

1. Taxable receipts (Report dollars and cents)

**NOTE: You must identify the county in which the motor vehicle title transfer occurred. For additional information on "Gross Receipts Collected," "Receipts Subject to Tax" and for reporting title transfers for more than eight counties, refer to Specific Instructions on the back of this form.**

	County Name Where Title is Transferred	County Code	(dollars and cents) Gross Receipts Collected	70100 (dollars and cents) Receipts Subject to Tax	78100 (dollars and cents) Receipts subject to 2.5% Surcharge 1996 and earlier	78100 (dollars and cents) Receipts Subject to 1.0% Surcharge 1997 and later
1a.						
1b.						
1c.						
1d.						
1e.						
1f.						
1g.						
1h.						
2.	Total receipts subject to tax and/or surcharge (Total of Items 1a through 1h) .....			2a.	2b.	2c. <span style="float: right;">c/c <input type="checkbox"/> 1</span>
3.	Tax rate .....			3a. 0.06250	3b. 0.02500	3c. 0.01000
4.	Tax and/or surcharge due (Multiply Item 2 by Item 3) .....			4a.	4b.	4c.
5.	Total amount of surcharge (Add Items 4b and Item 4c) .....			5c.		
6.	Prepayments (See instructions) .....			6c.		
7.	Net tax / surcharge due (Subtract Item 6a from Item 4a; subtract Item 6c from Item 5c) ....			7c.		
8.	Discount (If filed and paid on time, multiply Item 4a by .005, multiply Item 5c by .005) .....			8c.		
9.	Total tax and/or surcharge due (Subtract Item 8 from Item 7) .....			9c.		
10.	Penalty and interest (See instructions) .....			10c.		
11.	Amount due (Add Item 9a and Item 10a; add Item 9c and Item 10c) .....			11c.		
12.	<b>Total Amount Due and Payable (Add Item 11a and Item 11c) .....</b>			12.		

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10. Taxpayer name m.

T Code   
  Taxpayer number   
  Period

**78920**

Make the amount in Item 12 payable to  
**State Comptroller**

Mail to Comptroller of Public Accounts  
P.O. Box 149360  
Austin, TX 78714-9360

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.  
Duly authorized agent (PLEASE PRINT NAME)

**sign here** ➤

Business phone Date

For information about Motor Vehicle Sales and Use Tax or Surcharge, call **1-800-252-1382**  
Details are also available at [www.comptroller.texas.gov](http://www.comptroller.texas.gov).

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## Chapter 8

# Motor Vehicle Rental Tax

Introduction

Taxable/Nontaxable Receipts

Exemptions

Tax-Free Registration

Tax Paid Registration

Fair Market Value Deduction

Verification Certificate

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Application for Texas Certificate of Title, Form 130-U (Front)

Texas Motor Vehicle Rental Tax Return, Form 14-103 (Front)

Motor Vehicle Verification Certificate for Rental Tax, Form 14-305 (Front)

Motor Vehicle Rental Tax Exemption Certificate

## Introduction

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Tax Code Section 152.026 imposes a tax on gross receipts from the rental of a motor vehicle. Companies that rent motor vehicles range from sole proprietors who rent a single motor vehicle to large corporations that maintain fleets of rental vehicles.

The tax rate is 10 percent of the gross rental receipts from the rental of rented motor vehicles for 30 days or less and 6.25 percent of the gross rental receipts from the rental of a rented motor vehicle for longer than 30 days but less than 181 days. As with the motor vehicle sales and use tax, all of the tax goes to the state.

Note: Some local jurisdictions have imposed their own local fees on motor vehicle rentals. The Comptroller's office does not administer or audit these fees.

Motor vehicle rental is an agreement of one of the following types:

- by an owner of a motor vehicle to give exclusive use of the vehicle to another for consideration for a period of time not to exceed 180 days in any one agreement;
- by the original motor vehicle manufacturer to grant exclusive use of the vehicle to another for consideration, regardless of the length of time covered by the agreement;
- by an owner of a motor vehicle to give exclusive use of the vehicle to another for re-rental purposes, regardless of the length of time covered by the agreement.

Rental companies must be permitted by the Comptroller's office, charge and collect tax on taxable rentals and report and pay tax to the Comptroller on a return. Depending on the amount of tax being reported, returns may be filed monthly, quarterly or yearly.

As of October 1, 2011, rental companies are assessed a \$50 penalty when a report is filed late. The penalty is assessed even though the rental company subsequently files the report, and whether or not any taxes or fees are due from the rental company for the period covered by the late report.

The *Motor Vehicle Rental Tax Guide* booklet and this manual should be studied before auditing a rental company.

## Taxable /Nontaxable Receipts

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Tax is due on total gross rental receipts, from both short-term and long-term contracts. Gross rental receipts consist of the following:

- daily/weekly/etc. rate charges
- mileage charges
- collision damage waiver charges

Gross rental receipts do **not** include the following:

- discounts
- separately stated charges for insurance
- assessments for damage
- separately stated charges for motor fuel sold by the owner of the vehicle

## Exemptions

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Rentals exempt from tax include the following:

- vehicles rented to public agencies — instrumentalities of the federal government; a department, commission, board, office, institution or other agency of this state; or a county, city, town, school district, open-enrollment charter schools, hospital district, water district or other special district or authority or political subdivision created under Texas law.
- vehicles rented for re-rental.
- trailers or a vehicle rented to a church or religious society, if the following criteria is met:
  - » designed to carry more than six passengers and
  - » primarily used (at least 80 percent of the vehicle's operating time) by a church or religious services or meetings.
- vehicles rented to a qualified child-care facility, if the following criteria is met:
  - » the vehicle is to be used primarily to transport children residing in the facility and
  - » the facility is licensed under Chapter 42 of Human Resources Code to provide 24-hour residential care to a single residential group of children who do not require specialized services or treatment and to children who are emotionally disturbed.
- rentals of farm trailers, semi-trailers or farm machines used primarily for farming and ranching, including poultry rearing, or for use in feedlots.
- rentals of trailers, semi-trailers or timber machines to a timber operator.

When making an exempt rental, the rental company must attach an exemption certificate (Form 14-305) to the rental contract. The certificate must be signed by an authorized representative of the group or organization renting the vehicle. If the rental company does not obtain an exemption certificate at the time a vehicle is rented tax-free, the rental company is responsible for proving the rental was exempt.

Holders of a direct payment permit for limited sales tax are **not** exempt from paying motor vehicle rental tax. Rentals to nonprofit or public service organizations, even if funded by a public agency, are **not** exempt.

## Tax-Free Registration

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To register motor vehicles tax-free, a rental company or individual must meet the following requirements:

- be a licensed Texas automobile dealer, or
- be title owner of at least five different motor vehicles that will be rented within the next 12 months. The title owner is the person named as the owner of the vehicle on the certificate of title.

**Note:**

If a rental company purchases an on-road diesel motor vehicle subject to either the 2.5 percent or 1 percent Texas Emissions Reduction Plan surcharge for rental purposes, the rental company must pay the surcharge to the county tax assessor-collector at the time of registration, even if it's a tax-free registration.

If a company does not qualify for tax-free registration, it must pay the tax on the taxable value of a rental vehicle at the time of purchase. See section dealing with Tax-Paid Registration.

To register a vehicle as tax-free, a rental company must use the Application for Texas Title and/or Registration, Form 130-U. In the #34 section of the application, the rental company would check the applicable box and then enter its motor vehicle rental permit number to inform the county tax assessor-collector's office that this is a tax-free registration.

Each vehicle registered tax-free is responsible for satisfying a minimum tax liability. This liability is the obligation of the title owner and must be satisfied before the vehicle is retired from rental service. If not, the title owner must pay the difference. Briefly, the minimum tax liability is the same amount of motor vehicle sales and use tax that would have been paid had the vehicle not been registered tax-free (taxable value x 6.25 percent). The minimum tax liability established for the vehicle is shown in the sales and use tax computation section of Form 130-U at #37(h). Even though #37(h) states "Amount of Tax Due," the rental company does not pay any tax on the vehicle.

The minimum tax liability is reduced by the following:

- rental taxes collected and remitted to the Comptroller's office by the title owner;
- exempt rentals (the amount of tax that would have been collected had the rental not been exempt);
- rental taxes legally imposed and remitted to another state; and
- rental taxes collected by a possession owner on re-rentals.

**Note:**

A "possession owner" is the rental company that has rented a vehicle for re-rental purposes from the title owner. The possession owner rents the vehicle to ultimate consumers and collects and remits taxes due on the rentals.

If, upon retirement from rental service, the minimum tax liability has not been satisfied, the title owner must remit the balance due on the motor vehicle rental tax return for the period. Each vehicle retired from rental service should be listed in the suggested format on page 2 of Form 14-103. Any additional minimum tax due on a retired vehicle is computed and carried forward to the motor vehicle rental tax return.

**Example:**

Unit #	Purchase Price of Vehicle	Tax Rate	Minimum Tax Liability	Rentals Tax Collected and Remitted	Tax Due Upon Retirement of Vehicle	FN
1	\$20,000.00	6.25%	\$1,250.00	\$800.00	\$450.00	1
2	\$20,000.00	6.25%	\$1,250.00	\$1,350.00	(\$100.00)	2

**Footnote 1**

\$20,000.00 = Purchase Price of the Vehicle

x 6.25% = Tax Rate

**\$1,250.00** = Minimum Tax Liability

<500.00> = Rentals Tax Collected and Remitted by Title Owner

<200.00> = Rentals Tax Collected and Remitted by Possession Owner

<50.00> = Tax-Free Rental to Texas Comptroller (tax that would have been due if not exempt)

<50.00> = Tax Collected and Remitted to the State of Oklahoma

**\$450.00** = Tax Due Upon Retirement of the Vehicle

Rental companies do not receive a credit if taxes collected on a vehicle are in excess of the minimum tax liability. The additional minimum tax due would be shown as “\$-0-.” In addition, the excess of taxes collected on one vehicle cannot be used to offset any additional minimum tax due on another vehicle.

**Footnote 2**

\$20,000.00 = Purchase Price of the Vehicle

x 6.25% = Tax Rate

**\$1,250.00** = Minimum Tax Liability

<800.00> = Rentals Tax Collected by Title Owner

<500.00> = Rentals Tax Collected by Possession Owner

< 50.00> = Tax-Free Rental to Texas Comptroller (tax that would have been due if not exempt)

**<\$100.00>**

The rental company should list the vehicle as being retired on the motor vehicle rental tax return (Form 14-103) and would list -0- as tax due. In addition, the \$100 “credit” on Unit #2 cannot be applied to the tax due on Unit #1.

If a rental vehicle is stolen or wrecked while it is still in rental service, there is no minimum tax liability on the vehicle. The vehicle would be listed as stolen or destroyed on the supplement.

**Note:**

A rental company qualifying for tax-free registration may elect to pay the tax at the time of registration with the county tax assessor-collector and then reimburse itself for subsequent taxes collected.

**Tax-Paid Registration**

For those taxpayers not eligible to register rental vehicles tax-free, tax must be paid at the time of titling. The title owner then reimburses himself for the taxes paid from the taxes collected on that vehicle. Any money in excess of taxes paid upon registration of the vehicle must be remitted to the Comptroller’s office on the Texas motor vehicle rental tax return (Form 14-103).

For example, if the rental company paid \$1,250 in motor vehicle sales tax upon registering the vehicle, it would keep the first \$1,250 in taxes collected on that vehicle. The amount collected above \$1,250 must be remitted to the Comptroller’s office.

To register a vehicle tax-paid, the rental company would use Form 130-U. In #34 section of the title application, the rental company would not enter its motor vehicle rental permit number. The amount of taxes due would be computed as with any other tax-paid transaction. In this case, the amount shown in #37(h) of the sales and use tax computation section truly is the amount of tax paid.

The rental company should list any retired rental vehicles on the Texas motor vehicle rental tax return (Form 14-103). Since tax was paid on the vehicles upon registration, there is no minimum tax liability for these vehicles.

## Fair Market Value Deduction

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Texas' motor vehicle statute allows rental companies to claim a fair market value (FMV) deduction for a replaced rental vehicle. A replaced vehicle is a vehicle taken out of rental service (retired). This replaced rental vehicle would be shown as a trade-in on Form 130-U, even though it probably was not actually traded in to the seller. The FMV deduction lowers the taxable value of the replacement vehicle, or a new vehicle being placed into rental service. As a consequence, if the replacement rental vehicle is registered tax-free, claiming a fair market value deduction lowers the minimum tax liability.

An FMV deduction can be claimed only by rental companies that qualify to register their rental vehicles tax-free. Other rental companies must have an actual trade-in to reduce the taxable value of a rental vehicle.

**Note:**

Replaced vehicles being claimed as FMV deductions usually are not traded in to the seller. Instead, the rental company retires them from rental service and offers them for sale.

To qualify as a fair market value deduction, the replaced vehicle must meet the following:

- be titled in the rental company's name;
- have been used for business or personal use; and
- be retired from service and offered for sale prior to being claimed as a deduction.

A retired vehicle may be used as an FMV deduction only once.

Wrecked or stolen vehicles cannot be used as FMV deductions.

To arrive at fair market value:

- if the retired vehicle has been sold before claiming the deduction, the sales price is the FMV.
- if the retired vehicle has not been sold but is being offered for sale, FMV is the depreciated book value of the vehicle as expressed in generally accepted accounting principles (GAAP). If the book value is not based on GAAP, use a depreciation rate of 2 percent per month for the first 36 months and 1 percent per month for the remaining depreciable life of the vehicle.

**Note:**

A rental company has up to 18 months from the date a vehicle is removed from rental service and placed for sale to use it as an FMV deduction.

## Verification Certificate

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A verification certificate (Form 14-305) is a two-section document used to validate a claim for credit of previously paid tax when another person paid the tax.

- Section I is for rentals for re-rentals. This section lets the title owner know how much rental tax the possession owner has collected and how much of the minimum tax liability has been satisfied. The possession owner completes Section I and gives the form to the title owner.
- Section II is for tax-paid registrations. The title owner completes this section and gives the form to the possession owner. The verification certificate must show the amount of sales or use tax paid when the vehicle was registered; the rental tax collected on rental of the vehicle; and the amount of reimbursement received from the possession owner. A possession owner may recover up to the amount of the sales or use tax paid to the title owner.

**Exhibits**

**Application for Texas Certificate of Title (Front)**

**Application for Texas Title and/or Registration**

Applying for (please check one): <input type="checkbox"/> Title & Registration <input type="checkbox"/> Title Only <input type="checkbox"/> Registration Purposes Only <input type="checkbox"/> Nontitle Registration				<b>TAX OFFICE USE ONLY</b>		
For a corrected title or registration, check reason: <input type="checkbox"/> Vehicle Description <input type="checkbox"/> Add/Remove Lien <input type="checkbox"/> Other: _____				County: _____		
				Doc #: _____		
				<input type="checkbox"/> SPV <input type="checkbox"/> Appraisal Value \$ _____		
1. Vehicle Identification Number	2. Year	3. Make	4. Body Style	5. Model	6. Major Color	7. Minor Color
8. Texas License Plate No.	9. Odometer Reading (no tenths)	10. This is the Actual Mileage unless the mileage is: <input type="checkbox"/> Not Actual <input type="checkbox"/> Exceeds Mechanical Limits <input type="checkbox"/> Exempt		11. Empty Weight	12. Carrying Capacity (if any)	
13. Applicant Type <input type="checkbox"/> Individual <input type="checkbox"/> Business <input type="checkbox"/> Government <input type="checkbox"/> Trust <input type="checkbox"/> Non-Profit				14. Applicant Photo ID Number or FEIN/EIN		
15. ID Type <input type="checkbox"/> U.S. Driver License/ID Card (issued by: _____) <input type="checkbox"/> NATO ID <input type="checkbox"/> U.S. Dept. of State ID <input type="checkbox"/> Passport (issued by: _____) <input type="checkbox"/> U.S. Military ID <input type="checkbox"/> U.S. Dept. of Homeland Security ID <input type="checkbox"/> U.S. Citizenship & Immigration Services/DOJ ID <input type="checkbox"/> Other Military Status of Forces Photo ID						
16. Applicant First Name (or Entity Name)		Middle Name	Last Name	Suffix (if any)		
17. Additional Applicant First Name (if applicable)		Middle Name	Last Name	Suffix (if any)		
18. Applicant Mailing Address			City	State	Zip	19. Owner County of Residence
20. Previous Owner Name (or Entity Name)		City	State	21. Dealer GDN (if applicable)	22. Unit No. (if applicable)	
23. Renewal Recipient First Name (or Entity Name) (if different)		Middle Name	Last Name	Suffix (if any)		
24. Renewal Notice Mailing Address (if different)		City	State	Zip		
25. Applicant Phone Number (optional)		26. Email (optional)		27. Registration Renewal eReminder <input type="checkbox"/> Yes (Provide Email in #26)		
28. Vehicle Location Address (if different)			City	State	Zip	
29. Multiple (Additional) Liens <input type="checkbox"/> Yes (Attach Form VTR-267)		30. Electronic Title Request <input type="checkbox"/> Yes (Cannot check #29)		31. Certified/eTitle Lienholder ID Number (if any)		32. First Lien Date (if any)
33. First Lienholder Name (if any)		Mailing Address	City	State	Zip	
34. Check only if applicable: <b>MOTOR VEHICLE TAX STATEMENT</b>						
<input type="checkbox"/> I hold Motor Vehicle Retailer's (Rental) Permit No. _____ and will satisfy the minimum tax liability (V.A.T.S., Tax Code §152.046(c))						
<input type="checkbox"/> I am a dealer or lessor and qualify to take the Fair Market Value Deduction (V.A.T.S., Tax Code, §152.002(c)). GDN or Lessor Number _____						
35. Trade-In (if any)		Year	Make	Vehicle Identification Number		36. Additional Trade-In(s) <input type="checkbox"/> Yes
<input type="checkbox"/> Yes (Complete)						
37. Check only if applicable: <b>SALES AND USE TAX COMPUTATION</b>						
<input type="checkbox"/> (a) Sales Price (\$ _____ rebate has been deducted) \$ _____		<input type="checkbox"/> \$90 New Resident Tax – (Previous State) _____				
<input type="checkbox"/> (b) Less Trade-in Amount, described in Item 35 above \$ ( _____ )		<input type="checkbox"/> \$5 Even Trade Tax				
<input type="checkbox"/> (c) For Dealers/Lessors/Rental ONLY – Fair Market Value Deduction, described in Item 35 above \$ ( _____ )		<input type="checkbox"/> \$10 Gift Tax – Use Comptroller Form 14-317				
<input type="checkbox"/> (d) Taxable Amount (Item a minus Item b or Item c) \$ _____		<input type="checkbox"/> \$65 Rebuilt Salvage Fee				
<input type="checkbox"/> (e) 6.25% Tax on Taxable Amount (Multiply Item d by .0625) \$ _____		<input type="checkbox"/> 2.5% Emissions Fee (Diesel Vehicles 1996 and Older > 14,000 lbs.) _____				
<input type="checkbox"/> (f) Late Tax Payment Penalty <input type="checkbox"/> 5% or <input type="checkbox"/> 10% \$ _____		<input type="checkbox"/> 1% Emissions Fee (Diesel Vehicles 1997 and Newer > 14,000 lbs.) _____				
<input type="checkbox"/> (g) Tax Paid to _____ (STATE) \$ _____		<input type="checkbox"/> Exemption claimed under the Motor Vehicle Sales and Use Tax Law because: _____				
<input type="checkbox"/> (h) AMOUNT OF TAX AND PENALTY DUE (Item e plus Item f minus Item g) \$ _____		<input type="checkbox"/> \$28 or \$33 Application Fee for Texas Title				
		(Contact your county tax assessor-collector for the correct fee.)				
<b>CERTIFICATION – State law makes falsifying information a third degree felony</b>						
I hereby certify all statements in this document are true and correct to the best of my knowledge and belief, and I am eligible for title and/or registration (as applicable).						
Signature(s) of Seller(s), Donor(s), or Trader(s)			Printed Name(s) (Same as Signature(s))		Date	
Signature of Applicant/Owner			Printed Name (Same as Signature)		Date	
Signature(s) of Additional Applicant(s)/Owner(s)			Printed Name(s) (Same as Signature(s))		Date	

Texas Motor Vehicle Rental Tax Return - Form 14-103 (Front)

14-103 (Rev. 10-16/24)



a. T Code 15100

Texas Motor Vehicle Rental Tax Return

You have certain rights under Chapters 562 and 569, Government Code, to review, request and correct information we have on file about you. Contact us at the address or phone numbers listed on this form.

Form fields for c. Taxpayer number, d. Filing period, e. [shaded], and f. Due date

Form field for g. Name and mailing address

Form field for h. IMPORTANT with instructions for address changes and business status

Federal Privacy Act - Disclosure of your Social Security number is required and authorized under law...

- 1. Enter the number of vehicles you own that were retired from rental service during this reporting period
2. Total short term contract receipts (1-30 days)
3. Taxable short term contract receipts
4. Tax rate 0.1000
5. Tax due on short term contract receipts
6. Total long term contract receipts (31-180 days)
7. Taxable long term contract receipts
8. Tax rate 0.0625
9. Tax due on long term contract receipts
10. Unremitted portion of minimum gross rental receipts tax
11. Total tax due
12. Prepayment credits
13. Tax due after prepayments
14. DISCOUNT
15. Net tax due after discount

14-103 (Rev. 10-16/24)

- 16. Penalty - If this report is filed or the tax due is paid after the due date, enter penalty.
17. Interest - If any fee is unpaid 61 days after the due date, enter interest on the amount in Item 15.
18. TOTAL AMOUNT DUE AND PAYABLE (Item 15 plus Items 16 and 17)

Form fields for Taxpayer name, k. [shaded], and l. [shaded]

Make the amount in item 18 payable to STATE COMPTROLLER. Mail to COMPTROLLER OF PUBLIC ACCOUNTS, P.O. Box 149360, Austin, TX 78714-9360

Declaration box: I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief. Sign here, Taxpayer or duly authorized agent. Business phone, Date

For assistance, call 1-800-252-1382. Information is also available at www.comptroller.texas.gov.

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**Texas Motor Vehicle Rental Tax Return - Instructions - Form 14-103 (Back)**

Form 14-103 (Back)(Rev.10-16/24)

**Instructions for Completing the Texas Motor Vehicle Rental Tax Return**

(TEXAS TAX CODE ANN. secs. 152.026 and 152.045)

**Who Must File:**

- You must file this return if you are a sole owner, partnership, corporation or other organization who is responsible for collection and/or payment of Texas Motor Vehicle Rental Tax. Failure to file this report and pay applicable tax may result in collection action as prescribed by Title 2 of the Tax Code.
- Complete and detailed records must be kept of all receipts reported and exemptions or reimbursements claimed so that returns can be verified by a state auditor.

**When to File:**

- Returns must be filed on or before the 20th day of the month following the reporting period.
- RETURNS MUST BE FILED FOR EVERY PERIOD EVEN IF YOU HAVE NO AMOUNT SUBJECT TO TAX OR NO TAX DUE.
- If the due date falls on a Saturday, Sunday or legal holiday, the next business day will be the due date.

**Specific Instructions**

- Item c-** Enter the Taxpayer Number shown on your Motor Vehicle Rental Permit. If you have not received your Motor Vehicle Rental Permit, enter your Social Security Number if sole ownership or federal Employer's Identification Number (EIN).
- Item d-** Enter filing period of this return, monthly or quarterly, and the last day of the period.
- Item 1-** Enter the number of vehicles you own that were retired from service during this reporting period. See Item 10 and the instructions below regarding the calculation of the total amount of minimum gross rental receipts tax due, if any.
- Item 2-** Enter the total amount of ALL short-term rental contract receipts (Short-term contracts 1-30 days).
- Item 3-** Enter the total amount of taxable short-term rental contract receipts after exemptions and reimbursements.
- Item 6-** Enter the total amount of ALL long-term rental contract receipts (Long term contracts 31-180 days).
- Item 7-** Enter the total amount of taxable long-term rental contract receipts after exemptions and reimbursements.
- Reimburse yourself only for motor vehicle sales or use tax you have previously paid to Texas on a rental vehicle.
  - The total reimbursement may not exceed the amount of tax you paid on the vehicle at registration.
  - Do not use gross rental receipts received from the rental of one vehicle to claim reimbursement for tax paid on a different vehicle.
- Item 10-** When a vehicle is no longer used for rental, the unremitted portion of minimum tax must be reported and paid on the first rental report following retirement of the vehicle. The minimum gross rental receipts tax on an individual rental vehicle is equal .
- Item 10- (cont.)** to 6.25 percent of the total consideration (Taxable Amount) paid for that vehicle [refer to Line 21(e) on the Form 130-U, Application for Texas Certificate of Title], minus the amount of rental receipts tax collected and remitted on that vehicle's rental contracts by the time of its retirement. The total unremitted portion of the minimum tax due for the report is determined by calculating the sum of the taxes due for all vehicles retired during the report period. No further tax is due on vehicles upon which tax has been paid or that have been destroyed or stolen.
- Item 11-** Enter the total amount due on both short-term and long-term rental contracts and the unremitted portion of the minimum gross rental receipts.
- Item 12-** FOR PREPAYERS ONLY - The amount preprinted in item 12 includes the allowable prepayment discount for filing your return and paying the tax due on or before the due date. (If you prepaid timely and the amount is not preprinted here, calculate the credit by dividing the amount you paid by .9825 and enter the result in item 12). If you are filing your return and paying the tax late, mark out the preprinted amount and enter the actual amount you prepaid.
- NOTE: If Item 11 is LESS than Item 12, enter the difference in Item 13 <XXX.XX>, then multiply the negative difference in Item 13 by .9825 and enter the result in Item 15.*
- DISCOUNT** - If the return is filed and the tax paid on or before the due date, enter a discount of one-half of one percent (0.005) of item 13. (PrePAYERS see item 12).

Electronic reporting and payment options are available 24 hours a day, 7 days a week. Have this form available when you log on. [www.comptroller.texas.gov/taxes/file-pay/](http://www.comptroller.texas.gov/taxes/file-pay/)

**EXAMPLE FOR CALCULATING TOTAL UNREMITTED PORTION OF MINIMUM GROSS RENTAL RECEIPTS TAX**

The example below is a guide for recording the required information for each of your retired vehicles, calculating the tax on each for this reporting period, and determining the current total tax due. You must keep the following information in your records for each rental vehicle: the year and make of the vehicle; the Vehicle Identification Number (VIN); and the unit number.

A YEAR	B MAKE	C VEHICLE IDENTIFICATION NUMBER (VIN)	D UNIT NUMBER	E CHECK IF STOLEN, DESTROYED OR SALES TAX WAS PAID	F MINIMUM RENTAL TAX DETERMINED AT REGISTRATION	G GROSS RENTAL TAX COLLECTED	H TAX DUE <i>(Col. F minus Col. G)</i> Must be zero or greater
- EXAMPLE ONLY -				<input type="checkbox"/>	\$	\$	\$
- EXAMPLE ONLY -				<input type="checkbox"/>	\$	\$	\$
<b>TOTAL UNREMITTED PORTION OF MINIMUM GROSS RENTAL RECEIPTS TAX</b> <i>(Enter the total from Column H for all vehicles listed and enter the result in Item 10 of the return.)</i>							\$

Column F is the minimum tax determined at the time of registration [Form 130-U, Line 21(e)]. Column G is the total amount of rental tax collected for each vehicle. This total includes: rental tax collected on the vehicle and remitted to the Comptroller; rental tax that would have been collected on rentals to public agencies, churches or religious societies; rental tax collected on the rental vehicle and paid to other states; and rental tax collected on the re-rental of the motor vehicle by another company and remitted to the Comptroller. Column H is the amount of tax due for the vehicle. (Subtract Column G from Column F - If the result is less than zero, enter zero in Column H.) The TOTAL UNREMITTED PORTION OF MINIMUM GROSS RENTAL RECEIPTS TAX should be entered in Item 10 of the return.



**Motor Vehicle Verification Certificate for Rental Tax - Form 14-305 (Front)**

 Form 14-305  
of Public Accounts  
Form (Rev. 2-17/8)

RESET FORM

PRINT FORM

**Motor Vehicle Rental Tax Verification Certificate**

*This certificate is **not** valid for tax-free registration. This certificate **must** be retained for tax verification purposes.*

**Section I. Rent for Re-Rental: Verification of Gross Rental Receipts Tax Collected in Texas**

*To be completed by renter re-renting a motor vehicle and furnished to title owner of motor vehicle. Indicate the total amount of gross rental receipts tax collected and paid to the Comptroller. This amount can be used as a credit toward satisfying the minimum gross rental receipts tax liability of the title owner. **This certificate is retained by the title owner.***

Make of vehicle		Vehicle identification number	
Model year	Body style	License plate number	
I certify that I hold Motor Vehicle Rental Permit No. _____, that I have rented the vehicle described above for the purpose of re-rental and that I have collected and paid to the Comptroller gross rental receipts taxes in the amount of \$ _____ for the period _____ (Month and day), _____ (Year) to _____ (Month and day), _____ (Year).			
I declare the information contained in this document and any attachments is true and correct to the best of my knowledge and belief and this information can be verified by audit of my records by the Comptroller of Public Accounts.			
Name of renter		<b>sign here</b> ▶	
Address (Street and number or P.O. Box number)			
City	State	ZIP code	

**Section II. Reimbursement of Sales or Use Tax Verification**

*To be completed by title owner when a vehicle is rented for re-rental and the renter reimburses the owner for the sales or use tax paid at registration. **This certificate is retained by the renter.***

Make of vehicle		Motor or vehicle identification number	
Model year	Body style	License plate number	
I certify that I paid sales or use tax in the amount of \$ _____ at the time of registration on the above described motor vehicle, that I have collected gross rental receipts tax in the amount of \$ _____ on the gross rental receipts received from renting the above described motor vehicle and that I have contracted and received reimbursement in the amount of \$ _____ from the re-renter named (below).			
Name of re-renter: _____		Taxpayer ID: _____	
Street address: _____			
City: _____	State: _____	ZIP code: _____	
I declare the information contained in this document and any attachments is true and correct to the best of my knowledge and belief, and this information can be verified by audit of my records by the Comptroller of Public Accounts.			
Name of vehicle owner		<b>sign here</b> ▶	
Address (Street and number or P.O. Box number)			
City	State	ZIP code	

**Motor Vehicle Rental Tax Exemption Certificate - Form 14-305 (Back)**

Form 14-305 (Back)(Rev.2-17/8)

**Motor Vehicle Rental Tax Exemption Certificate***This certificate is not valid for tax-free registration. This exemption certificate must be attached to the rental contract.*

Make of vehicle		Vehicle identification number
Model year	Body style	License plate number

The undersigned claims exemption from payment of motor vehicle gross rental receipts tax under the Taxes on Sale, Rental and Use of Motor Vehicle Law (TEX. TAX CODE ANN. ch 152), on the rental of the above described motor vehicle from:

Name of rental company		
Address (Street and number)		
City	State	ZIP code

Renter claims this exemption for the following reasons:

- Childcare Facilities** - Motor vehicles used or rented by a qualified residential childcare facility and used primarily to transport children residing at the facility are exempt from motor vehicle rental tax. A qualifying residential childcare facility is a facility that is licensed by Texas Department of Family and Protective Services (DFPS) under Human Resources Code Chapter 42 to provide residential care 24 hours a day and provides this care in a single residential group to children who do not require specialized services or treatment and to children who are emotionally disturbed. For the motor vehicle rental tax exemption, the DFPS license will state one of the following types of qualifying residential childcare facility:

- independent foster group home
- independent foster family home
- institution providing basic care
- institution serving mentally retarded children
- emergency shelter
- residential treatment center
- therapeutic camp
- child-placing agency that directly provides residential childcare

- Churches or Religious Societies** - A qualified church or religious society is exempt from paying motor vehicle rental tax only if the motor vehicle is designed to carry more than six passengers and used primarily (at least 80 percent of the time) to provide transportation to and from church or religious services or meetings. A qualified church or religious society is an organized group of people regularly associating for the sole purpose of holding, conducting and sponsoring religious worship according to the rites of the group.

- Farm Trailers and Other Farm Vehicles** - Farm machines, trailers and semi-trailers used primarily (at least 80 percent of the time) for farming and ranching, including the raising of poultry and operation of feedlots, are exempt from motor vehicle rental tax. The qualified farm trailer/vehicle must be used on a farm or ranch in the production of crops, livestock or other agricultural products to be sold in the regular course of business. A farm or ranch includes a dairy farm, commercial orchard, commercial greenhouse, feedlot or a similar commercial agricultural operation that is the original producer of agricultural products. Renters must provide a current ag/timber number issued by the Comptroller in order to claim this exemption. Tax is due if renter does not have an ag/timber number. For more information, visit [www.comptroller.texas.gov/taxes/ag-timber/](http://www.comptroller.texas.gov/taxes/ag-timber/).

Ag/timber number issued by the Comptroller of Public Accounts: \_\_\_\_\_ expires Dec. 31, 20\_\_\_\_\_


- Public Agencies** - A public agency is exempt from motor vehicle rental tax. A public agency includes the federal government; a department, commission, board, office, institution or other agency of the state of Texas or of a county, city, town, school district, hospital district, water district or other special district, authority or political subdivision created by or pursuant to the constitution or the statutes of Texas. An organization can receive federal or state funds and still not be entitled to an exemption from motor vehicle rental tax.

- Rentals for Re-Rental** - An entity in the business of renting motor vehicles can rent a vehicle tax free to hold for re-rental.

Motor vehicle rental permit number issued by the Comptroller of Public Accounts: \_\_\_\_\_

- Timber Operations** - Timber machines and trailers used primarily (at least 80 percent of the time) in timber operations are exempt from motor vehicle rental tax. A timber machine is a self-propelled motor vehicle specially adapted to perform a specialized function for use primarily in timber operations. Timber machines and trailers qualify for exemption if they are used in the production of timber, including land preparation, planting, maintenance and gathering of trees commonly grown for commercial timber. Renters must provide a current ag/timber number issued by the Comptroller in order to claim this exemption. Tax is due if renter does not have an ag/timber number. For more information, visit [www.comptroller.texas.gov/taxes/ag-timber/](http://www.comptroller.texas.gov/taxes/ag-timber/).

Ag/timber number issued by the Comptroller of Public Accounts: \_\_\_\_\_ expires Dec. 31, 20\_\_\_\_\_

I declare that the information contained in this document and any attachments is true and correct to the best of my knowledge and belief.		
Name of tax-exempt person or organization		
Authorized person		
<b>sign here</b> 		
Address (Street and number or P.O. Box number)		
City	State	ZIP code

*NOTE: This form may be reproduced, but must be substantially in the form set out above.  
Do NOT send the completed exemption certificate to the Comptroller of Public Accounts. See instructions on front of form.*

## Chapter 9

# Auditing Rental Companies

Audit Objective  
Verifying Rental Receipts  
Tax Accrual Reconciliation  
Verifying Documents  
Exemption Certificate  
Bad Debts  
Fair Market Value Replacement  
Verifying Fair Market Value Replacement  
Determining Fair Market Value  
Verifying Reimbursement Credit  
6.25 percent Tax or 10 percent Tax?  
Error Tax  
Minimum Tax  
Procedures for Verifying Minimum Tax  
Vehicles Registered Tax-Free  
Vehicles Registered Tax Paid  
Penalty and Interest  
Problem Areas  
Write-up Procedures

### Audit Objective

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The initial interview with the taxpayer should provide information concerning the records to be used during the audit process and the rental company's reporting procedures. Consult the chapter in the *Auditing Fundamentals Manual* dealing with the entrance conference.

Audits of rental companies are performed in the same manner as those of motor vehicle dealers. Contact the CAIS section in Audit headquarters to receive information reported on the TxDMV RTS System. The auditor should request information on the rental company as a purchaser of motor vehicles.

Reported amounts for motor vehicle rental tax can be obtained by ordering an audit history via XIRPTS (Tax Code is 15). The history prints overnight in the Audit office. It will list the number of vehicles retired during a report period.

In audits of rental tax accounts, auditors should verify the following:

- the correct amount of tax has been collected and reported on the rental contracts; and
- the minimum tax liability has been satisfied for all rental vehicles retired during the audit period.

When verifying reported amounts, the amounts should be traced through the taxpayer's records back to the source documents (rental contracts) to test the validity of the records.

## Verifying Rental Receipts

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Records:

- rental contracts
- sales journal
- cash receipts
- general ledger
- bank deposits

The audit should include adjustments for any unreported rental receipts.

## Tax Accrual Reconciliation

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As with any audit, verify that the amount of tax collected has been paid properly. Verify reported collections with the summary records available.

Remember that the “total tax due” on the audit history includes any additional minimum tax due if the rental company retired any vehicles during that report period. Any additional minimum tax-due amounts should be deleted from the reported tax amounts before attempting to reconcile tax collections.

## Verifying Documents

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Exempt rentals and rentals for re-rental will **not** be reported on the motor vehicle tax return. The rental company enters the following:

- total short-term contract receipts
- taxable short-term contract receipts
- tax due on short-term contract receipts
- total long-term contract receipts
- taxable long-term contract receipts
- tax due on long-term contract receipts

It is important to verify **total** gross rental receipts. Also, a lease for re-rental, regardless of the period covered by the agreement, is considered to be a rental and the possession owner may issue a motor vehicle rental exemption certificate in lieu of paying tax. Non-taxed sales should be compared to the motor vehicle rental exemption certificates on file. Verify that the claimed exemption is legitimate.

## Exemption Certificate

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A motor vehicle exemption certificate is a document that validates a tax-exempt rental; it must be signed by an authorized representative of one of the following:

- a public agency
- a church or religious society (vehicle must meet specific requirements)
- a residential child-care facility meeting certain legal requirements
- a rental company for re-rental
- a farmer or rancher (vehicle must meet specific requirements)
- a timber operator (vehicle must meet specific requirements)

All rentals of motor vehicles are considered subject to the tax unless the customer issues a valid exemption certificate. The burden is on the rental company to obtain this certificate at the time of the rental.

## Bad Debts

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A rental agency may take a credit or request a refund for tax paid on rental receipts that meet the following criteria:

- determined to be uncollectible;
- written off as uncollectible in their books; and
- claimed as a bad debt deduction for federal income tax purposes.

Some further guidelines are listed below:

- A rental agency may deduct a bad debt from gross rental receipts during the period in which the rental was made if the qualifications are met.
- If the tax was previously paid on a contract now deemed uncollectible, the rental agency may claim a credit for taxes paid on the return in which the debt was determined uncollectible by filing an amended return.
- The rental agency may request a refund of tax paid on an amount uncollectible or may take a credit on a current return.
- If the bad debt includes taxable and non-taxable receipts, credit may be claimed only for the taxable amount.

To support a claim for a bad debt deduction or credit, a rental agency must keep the following:

- the date of the rental;
- the customer name and address;
- the amount the customer agreed to pay;
- any amount on which tax has already been paid;
- any payment or other credit applied to the account; and
- evidence that the amount has been legally charged off as a bad debt for federal income tax purposes.

An amount claimed as a bad debt deduction may **not** be used as a credit against minimum gross rental receipts tax owed on a vehicle. Therefore, when the auditor makes an adjustment in the audit for bad debts, he or she also should check for offsetting adjustments in the minimum tax calculations.

## Fair Market Value Replacement

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An authorized dealer, leasing company or rental agency may deduct the fair market value of a vehicle it is replacing from the purchase price of a new vehicle. The tax is computed on the difference.

To qualify for the fair market value deduction, a rental agency must be the title owner of the rental vehicle and hold a motor vehicle retailer's permit. In addition, the rental company must qualify for tax-free vehicle registration.

To qualify for tax-free registration, the rental company must be a licensed Texas motor vehicle dealer or be the title owner of at least five different motor vehicles that will be rented within a 12-month period.

The rental permit holder must maintain records documenting the accuracy of the fair market value of the replaced vehicle.

The replaced vehicle must be titled in the dealer's, lessor's or rental agency's name; retired from business or personal use; and offered for sale prior to being claimed as a deduction.

The replacement vehicle must be titled in the rental company's name and purchased for business or personal use.

The fair market value deduction must be used within 18 months after retirement and can only be used one time to reduce the tax base of a replacement unit.

## Verifying Fair Market Value Deduction

Review the taxpayer's sales invoices for used car sales and his or her books for the depreciated book value per unit. Compare them, on a sample short-test basis, with the FMV claimed in TxDMV records.

Verify that stolen or wrecked units are **not** used as fair market value deductions. Make audit adjustments if you find such invalid FMV deductions.

Verify that the deduction was used within 18 months, was not used more than once, or also used as a trade-in.

## Determining Fair Market Value

If the taxpayer is qualified to take a FMV deduction and the vehicle was sold before replacing it with another vehicle, the deduction will equal the sales price of the replaced unit.

If a replacement unit was purchased before the old unit was sold, the depreciated book value will be used as FMV, as long as the taxpayer's records are based on generally accepted accounting principles.

If the taxpayer's records are not according to GAAP, the FMV is the purchase price of the vehicle, less depreciation at the rate of 2 percent per month for the first 36 months and one percent per month for the remaining depreciable life.

Example:

Original Purchase Price = \$20,000

Vehicle was in rental service for six months

$\$20,000 \times 2\% \times 6 \text{ Months} = \$2,400 = \text{Fair Market Value of Replaced Unit}$

### Note:

The rental company should be consistent in applying the fair market value to its retired vehicles.

Verify that there has been no subsequent rentals, leases or personal or business use of the retired vehicles. If subsequent uses have been made, disallow the fair market value deduction. This would raise the minimum tax base and could lead to an adjustment in the audit. Another valid unit can replace the disallowed unit, if available.

## Verifying Reimbursement Credit

The motor vehicle rental tax return will not reflect the fact that a taxpayer may be claiming a tax reimbursement for vehicles registered as tax-paid. Inspect the records to verify that the taxpayer has not "over-reimbursed." The maximum amount that can be recovered cannot exceed the amount of sales or use tax paid when the vehicle was registered.

When a taxpayer is claiming a reimbursement credit, perform the following:

- verify the amount of tax paid by inspecting tax receipts for the applicable vehicles;
- examine the records showing the receipts and taxes collected from the rental of the vehicles; and
- if the vehicle was rented for re-rental, examine any verification certificates showing the possession owner collected taxes on the vehicle and reimbursed the title owner.

Reimbursement credit for rental vehicles on which tax was paid upon registration must be made on a vehicle-by-vehicle basis.

## 6¼ percent Tax or 10 percent Tax?

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The tax rate is 10 percent of the gross rental receipts from the rental of rented motor vehicles for 30 days or less and 6.25 percent of the gross rental receipts from the rental of rented motor vehicles for longer than 30 days but less than 180 days. Each renewal is considered to be a new agreement. For example, if a customer rents a vehicle for 21 days and subsequently renews the rental for an additional 14 days, these are considered to be two separate rentals for periods less than 31 days. Therefore, the rental agency should collect 10 percent tax on both rentals.

Examine the rental contracts to ensure that the rental company charged the correct tax rate.

## Error Tax

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Frequently, error tax collections are common. For example, a rental company collects 8.25 percent tax from the customer but only remits 6.25 percent tax on its rental tax return. Any taxes collected in error must be remitted to the Comptroller's office or refunded to the customer.

## Minimum Tax

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When a title owner ceases to use a motor vehicle for rental purposes, that vehicle must be tracked to document and calculate any additional tax needed to satisfy the minimum tax requirements. The instructions on the return contain a suggested format.

Examine only those vehicles retired during the audit period to verify that the minimum tax has been met.

### Note:

Any amount still due to satisfy the minimum tax liability is waived if the rental vehicle is destroyed or stolen and not recovered; however, those vehicles cannot be used as FMV deductions.

Minimum tax liability must be satisfied on a vehicle by vehicle basis.

## Procedures for Verifying Minimum Tax

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Verify the following for retired vehicles:

- The purchase price of the rental vehicle matches the reported amount on the TxDMV online registration system.
- Replaced vehicles have not been used more than once as FMV deductions. This could be checked as part of pre-audit research and review.
- Replaced vehicles were titled in the rental company's name, removed from rental service and offered for sale **prior** to replacement, if the fair market value deduction is claimed.
- Reported FMV deductions are correct. Refer to the section on fair market values in this chapter.
- Minimum tax calculation should match that shown in the rental company's records.

## Vehicles Registered Tax-Free

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Examine gross rental receipts records for each retired vehicle to verify that the gross rental receipts tax collected and reported is at least equal to the minimum tax due. If there is a difference, verify that the difference has been reported.

Examine each unit individually to determine that excess tax collected on one vehicle has not been transferred to another. Each vehicle must stand on its own.

In addition to verifying tax collected and paid on each vehicle, examine verification certificates and make allowances for exempt rentals. All three areas apply toward satisfying minimum tax.

**Example:**

Row #	Description	Amount
1	Purchase Price of Rental Vehicle	\$8,000.00
2	Trade-in Allowance or Fair Market Value Deductions	6,000.00
3	Trade Difference	\$2,000.00
4	Minimum Tax (Trade Difference x Tax Rate of 6.25 percent)	\$125.00
5	Reported Rental Tax during Life of Rental Vehicle	62.50
6	Exempt rentals (\$200 receipts x 6.25 percent). Tax would not be collected on this amount, but it can be used to satisfy the minimum tax	12.50
7	Tax collected and reported by the re-rental agency (Title owner must have a verification certificate.)	20.00
8	Total amount to reduce minimum (Rows 5+6+7)	95.00
9	Additional unpaid minimum tax to be reported or included in audit (Row 4 less Row 8)	\$30.00

**Note:**

If applicable, the surcharge is due on diesel-powered rental vehicles upon titling and registration with the county tax assessor-collector. The surcharge cannot be deferred. The surcharge does not apply to rental contracts.

## Vehicles Registered Tax-Paid

When tax was paid on the rental vehicle upon registration, the title owner may reimburse himself from the gross rental tax received from renting the vehicle. Verify gross rental receipts and rental taxes collected on tax-paid vehicles. Verify the amount of tax paid upon registration by requesting the taxpayer's copy of the registration receipt issued by the county tax assessor-collector. Make certain that the taxpayer does not "over-reimburse."

**Note:**

If applicable, the surcharge is due on diesel-powered rental vehicles upon titling and registration with the county tax assessor-collector. The rental company may **not** reimburse itself for the surcharge paid.

## Penalty and Interest

The title owner of rental vehicles is liable for penalty and interest on additional tax due resulting from adjustments to rental receipts and/or deductions.

## Problem Area

If a dealer rents a vehicle from his used vehicle inventory or a demonstrator, motor vehicle sales tax should be assessed on the vehicle being rented. Since the vehicle could then be titled in the name of the dealership, a deduction for fair market value should be allowed. And, the dealer establishes a minimum tax liability. Any tax collected and reported on the rental of such vehicles can offset the sales tax assessed. This type of discrepancy must be scheduled separately as "additional motor vehicle sales tax," but will be included in the rental audit. When reviewing source documents, be alert for descriptions, or license or vehicle identification numbers different from vehicles known to be registered as rental units.



## Write-up Procedures

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The write-up procedures for motor vehicle rentals tax audits are the same as those for motor vehicle sales and use tax audits. Scheduling programs are not available for this tax, so the auditor must prepare Excel schedules. For further information on audit write-up, refer to the motor vehicle sales and use tax portion of the manual dealing with audit write-up.

### Important Notice

The vast majority of motor vehicle rental companies also operate as motor vehicle dealers, in that they sell their retired vehicles. Thus, audits will be performed for motor vehicle sales and use (tax type 89) **and** for motor vehicle rental tax (tax type 15). Both taxes are under the same tax code (Chapter 152); therefore, these audits must be batched and billed concurrently. Make the applicable work manager comments.

# Chapter 10

## Auditing Leasing Companies

Definitions

Taxability Situations

Vehicle Leased in Texas

Vehicle Leased Outside Texas

Vehicles Purchased to be Leased for Interstate Use

Vehicle Purchased at End of Lease

Vehicle Leased/Purchased in Texas

Vehicle Leased/Purchased Outside Texas

Lease/Purchase Plans for Rental Vehicles

Lease/Purchase Documentation

Fair Market Value Deduction

Form 130-U

Manufacturers of Motor Vehicles

Credit

Audit Procedures

Scheduling and Write-Up

Unjust Enrichment

Problem Area — Franchise Tax

### Definitions

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#### **Lease**

A lease is an agreement providing possession and exclusive use of a motor vehicle to another person for more than 180 days in exchange for consideration. Under the terms of a lease, the lessor remains the title owner of a vehicle and the lessee has no ownership rights.

#### **Operating Lease**

The lessee turns in the vehicle to the lessor after the term of the lease (generally no more than five years) and, providing there is no extraordinary damage, the lessee simply walks away. In a closed-ended lease, the lessor assumes the risk of what the fair market value of the vehicle will be at the end of the lease agreement. (Note: The monthly payments are usually higher than those on an open-ended lease.)

#### **Fair Market Value Deduction**

To qualify for an FMV deduction, a lessor must meet the following requirements:

- be regularly and actively engaged in leasing motor vehicles and have a Texas dealer's permit, **or**
- lease at least five different motor vehicles within any 12-month period.

#### **Lease/Purchase Agreement**

An agreement that satisfies any of the following conditions is considered a conditional sale and not a lease:

- a vehicle transferred to a lessee under a "must purchase" clause (any agreement that requires the lessee to take title is considered a conditional sale);

- a vehicle transferred to a lessee for a predetermined price under an “option to purchase” clause for considerably less than the fair market value;
- a vehicle transferred to a lessee for considerably less than the fair market value; or
- automatic transference of the title of the vehicle at the end of the lease to the lessee/buyer for no additional consideration.

**Lessee**

The lessee is the individual or entity who has the contractual right to use the lessor’s property.

**Lessor**

The lessor owns the lease property and receives periodic payments in exchange for allowing the property to be used.

**Total Consideration**

Total consideration is the amount paid, or to be paid, for a motor vehicle and includes all accessories attached to the vehicle when it is sold. Total consideration does not include separately stated finance charges, carrying charges, service charges or interest from credit extended on a lease/purchase agreement.

See “Total Consideration” in Chapter 1 for more information.

**Taxability Situations**

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**Vehicle Leased In Texas**

A motor vehicle purchased in Texas to be leased is subject to motor vehicle sales tax. The lessor is responsible for the tax when the vehicle is registered in his or her name.

A motor vehicle purchased outside of Texas to be leased in Texas is subject to motor vehicle use tax less any tax legally paid to another state. The tax should be paid by the lessor when the vehicle is registered in his or her name using Form 130-U.

Lease payments are not subject to tax.

**Vehicle Leased Outside Texas**

When a vehicle is leased in another state and the lessee brings it to Texas for public highway use, the lessee, as the operator, owes motor vehicle use tax.

The use tax is based on the price the lessor paid for the vehicle with credit given for any tax the lessor or lessee paid to another state.

A vehicle previously leased in another state and subsequently brought into Texas for use by a new resident/lessee may be registered for the new resident use tax of \$90.

**Vehicles Purchased to be Leased for Interstate Use**

An owner of a motor vehicle that was purchased to be leased for interstate use, and therefore tax exempt under Tax Code, §152.089, is liable for motor vehicle sales/use tax if the motor vehicle is no longer held for interstate use or held exclusively for resale. The tax (6.25 percent) is based on the vehicle’s book value at the time it was removed from interstate use.

**Vehicle Purchased At End of Lease**

If a lessee purchases a vehicle at the end of an operating lease agreement, the lessee owes tax on the amount paid for the vehicle as a second sale has occurred. The new purchaser cannot take credit for any tax originally paid to the lessor. If the vehicle was leased out of state and the lessee has paid use tax to Texas, credit can be taken for the use tax paid.

If the amount paid at the end of the lease agreement is substantially less than the fair market value, the original agreement should be treated as a lease/purchase contract.

**Vehicle Leased/Purchased In Texas**

If the vehicle is purchased under the terms of a lease/purchase agreement, a lessor is not liable for the tax on the amount he or she paid for the vehicle. Instead, the lessee, as purchaser, is liable for the tax. The tax is based upon the total consideration the lessee paid to the lessor.

The tax should be paid when the vehicle is titled in the lessor's name. No additional tax is due at the end of the agreement when the title is transferred to the lessee, provided the correct amount was paid upon titling in the lessor's name. If the correct amount of tax was not paid, the lessee must pay the difference at that time.

**Vehicle Leased/Purchased Outside Texas**

A vehicle purchased through a lease/purchase agreement outside Texas, and brought to Texas for use on public highways, is subject to motor vehicle use tax. The lessee, as the purchaser, owes tax on the total consideration. The lessee/purchaser may use any legally imposed sales or use tax paid to another state as credit against the use tax due to Texas.

The tax must be paid by the lessee when the vehicle is initially titled in Texas. When the lessee/purchaser takes title under a lease/purchase agreement after he has paid use tax to Texas, however, no additional tax is due.

If the correct amount of tax was not paid when the vehicle was initially titled in Texas, the lessee must pay the difference at the time he or she takes title at the end of the lease/purchase agreement.

**Lease/Purchase Plans for Rental Vehicles**

Some manufacturers or their affiliated companies offer plans by which their dealers may lease/purchase vehicles for rental purposes. Under such plans, a lessor (dealer) usually makes installment payments with the balance due on a predetermined date or some other condition. The title of the vehicle remains in the manufacturer's or its affiliated company's name and is not transferred to the dealer until full payment has been made.

This method of acquiring vehicles for rental purposes is considered a "sale" even though title transfer is delayed until the contract is concluded.

Thus a dealer or a rental company that acquires a rental vehicle through a lease/purchase plan is responsible for the motor vehicle sales and use tax. If the rental vehicle is registered tax-free, the dealer or rental company is responsible for the minimum tax.

The dealer or rental company must have a motor vehicle retailer's permit number before the local county tax assessor's office will accept a tax-free registration of the vehicle.

**Lease/Purchase Documentation**

When the lessee takes title, he or she must provide the county tax assessor-collector with a tax receipt showing the amount of tax paid up front and a contract showing that at least one of the conditions of a "conditional sale" has been met.

## Fair Market Value Deduction

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An authorized dealer or lessor may deduct the fair market value of a vehicle he or she is replacing from the purchase price of a new vehicle being placed into service. The tax is computed on the difference. To qualify, the lessor must be the title owner of the vehicle being used as a fair market value deduction.

As of October 1, 1999, motor vehicle leasing companies may use the value of retired vehicles leased and owned by other leasing companies as deductions in computing the taxable value of purchases. One of two conditions must be met:

- one leasing company must own at least 80 percent of the beneficial interest of the other leasing company (such as a parent corporation owning a subsidiary corporation); or
- one leasing company purchases all of its vehicles from new car dealers owned in common by the franchiser and the second leasing company.

This applies **only** to leased vehicles; it does not affect dealers and rental companies.

The lessor must maintain records documenting the accuracy of the FMV of the replaced vehicle.

Refer to Chapter 8 for additional information on fair market value deduction.

## Form 130-U

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A lessor of motor vehicles must register their lease vehicles as tax-paid by using Form 130-U. Tax is due on the total consideration paid by the lessor for the vehicle and the tax is paid to the county tax assessor-collector. If the lessor is claiming an FMV deduction, this fact should be shown on the applicable section of the form.

Before beginning an audit of a lessor, request the TxDMV information from the CAIS section in Audit headquarters. In this case, the auditor will be requesting the information on the purchaser of motor vehicles.

A lessor is not required to have a dealer number, but again, lessors are likely to sell the vehicles at the end of the lease terms. The auditor should perform an audit of tax type 89 — motor vehicle sales and use tax. The lessor is audited as a purchaser **and** seller of motor vehicles.

## Manufacturers of Motor Vehicles

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Motor vehicle tax **is not due** if a motor vehicle is titled and registered in the auto manufacturer's name.

Motor vehicle tax **is due** if a vehicle is titled and registered in the name of a subsidiary of the manufacturer.

A manufacturer may title and register a vehicle as tax-free for lease or rental, but must collect and report the gross rental receipts tax. Due to an Attorney General's Opinion, however, manufacturers do **not** incur a minimum tax liability on vehicles registered tax free for rental.

## Credit

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Credit is allowed for motor vehicle tax legally paid to another state by a lessor on a lease vehicle now subject to motor vehicle use tax.

Some states collect a monthly lease tax instead of collecting the entire tax at the beginning of the lease. Credit may be taken only for monthly tax payments made prior to registering the vehicle in Texas. Credit cannot be allowed for future payments.

When allowing credit, the amount of tax paid to another state should be deducted from the amount of use tax due to the state.

Proof of tax payment must be presented to the tax assessor-collector before credit can be granted.

Payment of any additional tax due, after applicable credit, is due from the lessee, as this is the person driving the vehicle on Texas highways.

### **Lessee as a New Texas Resident**

All leased vehicles brought into Texas by a new resident are subject to the new resident use tax of \$90.

## **Audit Procedures**

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Review the information obtained from the TxDMV online registration system obtained from the CAIS section.

Trace the reported taxable amounts back to the taxpayer's records (i.e., lease contracts, purchase invoice, depreciation schedules, internal work papers, tax receipts). Usually, this information is filed together with all other documents dealing with a particular vehicle.

Verify any fair market value deductions. Make sure they are valid. (Refer to Chapter 8.)

Review the taxpayer's lease agreements to determine if they are lease/purchase agreements or true leases. Question the taxpayer during the entrance conference to understand what types of situations may be encountered.

After reviewing the taxpayer's records, decide whether a sample or detailed audit will be performed. The more sophisticated leasing companies may have computer systems that designate vehicles that are titled and presently located in Texas, and will probably tie the VIN number to their access number for each unit. If this information is unavailable, the taxpayer may be able to run reports that will help you complete the audit more efficiently. They may even be able to run a report on all units used as FMV replacements, to facilitate your verification of reported FMV deductions taken.

## **Scheduling and Write-Up**

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Document schedules with VIN numbers, vehicle descriptions, license plate numbers, taxpayer unit numbers, lessees, etc. Write down anything that will be helpful in tracking that unit in the future.

Different types of errors should be scheduled on separate exams to avoid the need to document why an adjustment is being made for every vehicle.

The auditor's notes may be **very** helpful in the future, in case of a future audit or hearing.

## **Unjust Enrichment**

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Leasing companies are not required to be permitted with the Comptroller if leases are to the ultimate consumer.

The auditor should be aware, however, of situations in which the leasing company takes advantage of a fair market value deduction by correctly reducing the purchase price and, thus, the sales tax on the vehicle being placed into service, yet requires the lessee to reimburse the company at a value much higher than the tax actually paid to the county tax assessor-collector.

If this amount is not returned to the lessee (consumer), it must be paid to the Comptroller's office.

## **Problem Area — Franchise Tax**

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If a lessor has inventory in Texas, he has established representation (i.e., nexus) and is responsible for franchise tax. Many out-of-state leasing companies are not permitted for franchise tax, however, and auditors should be watchful for audit leads.

Many lessors are headquartered out of state and take orders for fleets of lease vehicles for Texas entities. They order the vehicles requested and have them drop-shipped from the manufacturer to the nearest franchise dealer. That dealer handles the paperwork, receives the lessee's signature, files for Texas title and sends all of the paperwork back to the lessor.

# Chapter 11

## Interstate Motor Carriers

Introduction  
Diverted Interstate Vehicles  
Verification of Interstate Travel

### Introduction

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The interstate motor carrier (IMC) tax was repealed effective September 1, 1997.

The taxes imposed by Chapter 152 do not apply to interstate motor vehicles, trailers and semi-trailers. An interstate motor vehicle, trailer and semi-trailer is one operated in Texas and at least one other state or country, and for which registration fees could be apportioned if the motor vehicle were registered in a state or province of a country that is a member of the International Registration Plan.

Charter buses that operate in Texas and at least one other state or country also are considered interstate motor vehicles.

A vehicle leased for less than 181 days or that has Texas license plates and does not operate under International Registration Plan is **not** considered an interstate motor vehicle.

### Diverted Interstate Vehicles

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An interstate motor vehicle is considered to be diverted with the exception of a leased unit from interstate use and subject to motor vehicle sales and use tax if it meets the following criteria:

- is not operated in more than one state including Texas during the first year after it is purchased in Texas or brought into Texas; or
- does not remain registered as an interstate motor vehicle with proportioned registration for a full year after it is purchased or first brought into Texas.

If the motor vehicle, trailer or semi-trailer ceases to be used as interstate motor vehicle within one year either of its purchase in or entry into Texas, the motor vehicle sales or use tax would be due.

Credit for any sales or use tax previously paid to another state is allowed.

If a motor vehicle is no longer leased for interstate use including when the time period is beyond one year, the owner must notify the Comptroller's office and pay the motor vehicle sale or use tax based on the book value of the motor vehicle.



## Verification of Interstate Travel

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Records to examine for verification of interstate travel consist of the following:

- depreciation schedules
- motor vehicle files
- titles and registration documents
- International Registration Plan (IRP) applications and renewal documents
- motor vehicle trip logs
- taxpayer copies of the International Fuel Tax Agreement fuel tax reports

One of the best of these sources is the IRP application, because it lists each vehicle registered and provides complete vehicle information. All sources should be examined, however, since the taxpayer may have vehicles that are not apportioned.

# Chapter 12

## Tax Assessor-Collectors

Introduction  
 Registration and Title System  
 Registration and Title Reports  
 TAC Audit Procedures

### Introduction

Each county's tax assessor-collector (TAC) is responsible for collecting and reporting motor vehicle sales and use tax to the Comptroller's office. TACs also register vehicles and issue license plates, license stickers and motor vehicle titles, and may collect and report the Texas boat and boat motor tax as well.

In 1994 the Texas Department of Transportation (now operated by Department of Motor Vehicles effective 9/1/09) (TxDMV) began installing a program which would allow the counties direct entry registration for motor vehicles. This program was called the Registration and Title System, commonly known as RTS. This program allows the county to take information furnished by a motor vehicle purchaser and enter it directly to the Texas Department of Motor Vehicles mainframe. Title transfers that previously took from six to eight weeks could be completed in a matter of days. Information on title transfers is now up to date and available to the Texas Department of Public Safety for enforcement purposes.

County tax assessor-collectors receive an annual commission from the state equal to 5 percent of taxes and penalties collected in relation to motor vehicle sales, seller-financed sales and the TERP tax surcharge for their county during the preceding calendar year. Before 2006, TAC commissions came entirely from motor vehicle registration fees collected under the Transportation Code. The following exhibit outlines the percentage to be retained from the different sources for the applicable time frames.

YEAR	RETAINED FROM TAX & TERP	RETAINED FROM REGISTRATION FEES
2006	10 Percent	90 Percent
2007	20 Percent	80 Percent
2008	30 Percent	70 Percent
2009	40 Percent	60 Percent
2010	50 Percent	50 Percent
2011	60 Percent	40 Percent
2012	70 Percent	30 Percent
2013	80 Percent	20 Percent
2014	90 Percent	10 Percent
2015 and beyond	100 Percent	0 Percent

## Registration and Title System (RTS)

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TxDMV operates the Registration and Title System (RTS), which allows counties to take information furnished by motor vehicle purchasers and enter it directly to the TxDMV mainframe. The information is taken from the Form 130-U. TxDMV maintains a copy of each form and a “history” of each motor vehicle purchased in Texas.

A multiple-copy RTS receipt is printed each time a county collects motor vehicle sales and use taxes. These receipts are identified by transaction ID numbers and are issued statewide as needed by TAC employees. Each transaction ID number contains seventeen digits.

Example: 101 361 35926 145032

Breakdown:

- three-digit county code
- three-digit workstation ID
- Gregorian date ( number of days since 01/01/1900)
- military time (hour, minute and second)

The RTS program allows numerous detail and summary reports to be compiled on a daily and/or monthly basis. Individual reports can break down work done by an individual clerk, summarizing each type of collection made, at the end of each day. The program makes it possible for the tax assessor-collector to compile the monthly motor vehicle tax report for the Comptroller’s office in a matter of minutes.

Each titling clerk in a TAC office has a user ID and password for the RTS system. When a title application is made, the clerk signs onto the system and goes to the appropriate setup screen. The clerk enters the taxpayer’s motor vehicle information, received payment and prints out an RTS computer receipt. Several copies of each RTS receipt are printed; one goes to the title applicant, one to the county and one to TxDMV headquarters in Austin.

If it is determined within 48 hours after issuing a receipt that an edit is necessary, the TAC must void the original receipt and issue a new one with the correct information. If a correction occurs after 48 hours, the TAC must issue an adjustment receipt with correct data; however, these are rare.

Void RTS receipts are title applications not completed for any number of reasons. Some of the reasons include the following:

- TAC clerk error
- customer changed his/her mind,
- missing information
- no money or not enough money

TxDMV in Austin previously printed a list of voids for the TAC at the end of each week. This list showed a summary of the void transactions and should have been kept by the TAC. Fees appeared as negative amounts on all reports. In 2015, TxDMV implemented a new method for counties obtaining reports. TAC’s now generate their own void transaction report.

Each clerk has a cash drawer linked to RTS. This link allows money received to be reconciled with transactions entered by the clerk. At the end of the day, a report is generated by terminal and clerk, reconciling cash in the drawer to what is shown on receipt data. These daily reports generally are attached to the actual RTS receipts and filed by day. Money collected at each RTS terminal drawer should be reconciled with amounts deposited into the bank accounts on a daily basis.

At the end of the month, a funds report is prepared that lists by transaction ID the amount of tax due on each RTS application as well as the total amount due for the month. This report usually is attached to the motor vehicle sales and use tax report filed with the Comptroller's office. The motor vehicle monthly reports are due on or before the 10th of the following month. Tax collections are sent to the state either daily, weekly or monthly, based on their yearly reported amounts; small counties may report their motor vehicle tax collections monthly while larger counties report theirs daily. A summarization of these data can be found on a tax assessor-collector "history" available on XIRPTS under tax code 14.

Auditors should conduct thorough interviews with TAC staff regarding their internal control procedures. Such interviews can indicate areas where problems could occur, or that an extensive audit is not warranted.

When available, use TxDMV monthly funds reports showing detail transactions as well as the tax for the month and reconcile to what has been reported to the Comptroller's office. Reconcile TxDMV's monthly cash reconciliation reports with the TAC's bank statements and deposit information. Void transactions may be examined on a detail or random sample basis, depending on the county's size and internal controls.

Auditors should examine RTS receipts and backup documents for the TAC's correct handling of motor vehicle tax. Look for any apparent understated values, trade-ins with no VIN numbers indicated, etc. TACs typically submit Form 130-U's to TxDMV within 48 hours; however, the auditor can look at the ones on hand and compare them to the RTS receipts.

Some recommendations that could be made to TACs to improve internal controls include the following:

#	Recommendation
(1)	When a void transaction is warranted, have someone other than the original entry clerk either approve the void or perform the entry work for the new RTS receipt. Some large counties have supervisors control a voided receipt. Also, the clerk should obtain the original document from the taxpayer prior to voiding and attach this information to the final RTS receipt retained by the county.
(2)	On manual receipts, maintain a log listing the manual receipt number, date issued and receipt number of the RTS replacement. Have the TAC either attach the manual receipt to the final RTS receipt or keep the manual receipts in a separate file. Maintain and account for all manual receipts issued to the TAC by TxDMV. If the auditor has reason to believe problems exist, consider third-party verifications.

## Registration and Title Reports

COGNOS REPORT	POS REPRINT REPORT	FORMER LEGACY
Not applicable	5901	RTS.POS.5901 – County-Wide Payment Report (lists all transactions by payment type (cash, checks, etc.))
Fee Types Funds Report	Not applicable	RTS.ACC.4602- Funds Transactions Report (lists transaction ID, fee and transaction type for the transactions from the previous week)
Fee Types Funds Report	Not applicable	RTS.ACC.4603 - Funds Summary Report (lists total fees by registration item)
Funds Remittance Report	Not applicable	RTS.ACC.4604 - Funds Remittance Report (lists amounts due by fee type and due dates)
Week/Month-to-Date Fees Report	Not applicable	RTS.ACC.4552 - Week-To-Date Reports by Office, by Workstation, by Day
Week/Month-to-Date Fees Report	Not applicable	RTS.ACC.4562 - Week-To-Date Report by Item, by Day

COGNOS REPORT	POS REPRINT REPORT	FORMER LEGACY
Week/Month-to-Date Fees Report	Not applicable	RTS.ACC.4564. Week-To-Date Report by Fee Source (customer, subcontractor, dealer), by Item, by Day
Monthly Funds Report (including Sales Tax Penalty, Young Farmer, Registration Emissions Fee, Sales Tax Emission Fee 1 percent, Sales Tax Report, TERP Fee, Texas Mobility Fund Fee)	Not applicable	RTS.ACC.4802 - Monthly Funds Reports; Young Farmer Fund; (Lists all transactions IDs involving sales tax and penalties; lists all transaction ID's involving the \$5 young farmer fees)
Not applicable	9901 Batch Inventory Action (BIAR)	9901
Not applicable	5911 Title Package	5911
Not applicable	5921 Substation Summary Batch	5921
Not applicable	9021 Completed Set Aside Transactions	9021
Voided Transactions Report	Not applicable	5152 Voided Transaction Report

The following reports were previously available during the early stages of RTS but are no longer listed in TxDMV information:

- Close-Out Reports

RTS.POS.5213 — Payment Reports

Produces the breakdown by payment type for a workstation or employee

- Close-Out/Detail Reports

RTS.POS.5211 — Payment Report

Produces the breakdown by payment type and entity

RTS.POS.5231 — Transaction Reconciliation Report

Lists all transactions done on the workstation

RTS.POS.5241 — Fees Report

Sorts by fee type (title, registration, motor vehicle sales tax, etc.)

- County-Wide Reports

RTS.POS.5902 — County-Wide Fees Report

Lists transactions by fee type (title, registration, sale tax, etc.)

**Records Retention Periods**

TxDmv recommends that TACs follow the following retention schedule:

- RTS Receipts — 45 days
- VTR 31 — RTS receipts:  
if processed through RTS – 45 days; otherwise, remittance due date plus five years
- Title Pkg. Reports\*
- Weekly Registration Reports\*
- Sales Tax Reports\*

\* Each county determines its own retention period and files it with the State Library and Archive Commission.

**Note:**

More information on reports provided by RTS can be found in the RTS manual located in each county TAC office.

**Problem Areas with Fraud Implications**

**Voided Title Transactions:** TAC employee voids a correct RTS receipt and makes a new receipt with a lower value, pocketing the difference.

**Manual Receipts:** TAC employee processes a transaction on a manual receipt, then replaces correct tax information with a new receipt with lower amounts. Employee then removes cash difference from drawer. This could be done on another manual receipt or on the RTS computer receipt.

**TAC Audit Procedures****Pre-Audit**

1. Set appointment.
2. Download audit history from XIRPTS; review history for any inconsistencies.
3. Determine what caused the audit to be generated. Any fraud implications should be discussed with the audit supervisor and/or manager as quickly as possible before beginning the audit.
4. Other taxes to be audited:
  - Boat and Boat Motor Taxes (Tax Code 20 Subtype 57)  
A sales tax is imposed on every retail sale of a taxable boat or boat motor sold in Texas. A use tax is imposed on any boat or boat motor purchased outside of Texas and brought into Texas. The tax rate is 6.25 percent of the sales price of the boat minus any trade-in allowance. A \$15 use tax may be due on a boat or boat motor brought into Texas by a new resident if the boat or boat motor was previously registered in the new resident's name in another state. More information on the boat and boat motor taxes is in Chapter 13.
  - Motor Vehicle Title Application Fee (Tax Code 14-12)  
An applicant for a title to a motor vehicle is assessed fees payable to the TAC. The fee sent to the Comptroller's office is either \$20 or \$15; \$20 is assessed if the applicant's residence is a county located within a nonattainment area as defined by the federal Clean Air Act or an affected county as defined by the Texas Health and Safety Code. The \$15 fee applies if the applicant's residence is any other county.
  - Motor Vehicle Sales and Use Tax – TAC Surcharge (Tax Code 14-17)  
A sales and use tax surcharge is imposed on the purchase of diesel-powered, on-road motor vehicles with a gross vehicle registered weight exceeding 14,000 pounds. This surcharge applies to both new and used vehicles and to motor vehicles purchased in Texas or brought into Texas from another state. The surcharge for model years 1996 and earlier is 2.5 percent of the total consideration paid for the motor vehicle; for model years 1997 and later, it is 1 percent.
  - Motor Vehicle Registration Surcharge (Tax Code 14-21)  
A surcharge is imposed on the registration of a truck-tractor or commercial motor vehicle, at a rate of 10 percent of the total fees due for the registration of the truck-tractor or commercial motor vehicles.

**Entrance Conference**

The auditor should address the following points:

1. How long has the TAC been in office?
2. Have the TAC or his/her representative discuss general duties.
3. Discuss the TAC's records retention policy.
4. Go over a monthly report and have the contact explain from where the data came.
5. How are voided transactions handled? Are backup reports or other data available for voids?
6. Inquire as to any other audit that may have occurred, from the county auditor, an outside accounting firm, TxDMV or other.
7. If there *has* been an audit, get a copy of the results.

8. What records are available for audit?
9. Determine if there have been any reports of missing funds from the TAC office; if so, analyze the problem for possible adjustments.
10. Ask to observe clerks as they help customers register motor vehicles.
11. Do the **customers** and not the clerks complete Form 130-U's?
12. Do clerks share any RTS passwords or terminals?
13. Are motor vehicle taxes deposited in interest-bearing bank accounts?

### **Audit Procedures**

1. Observe a title clerk process several transactions.
2. Verify that the Form 130-U presented by the customer is complete.
3. Sample data whenever possible. Various RTS reports may be sampled and traced to the motor vehicle tax reports. If the sample reveals a problem, such as fraudulently voiding receipts, the auditor should isolate the problem and perform a detail of all voided receipts.
4. Bank statement reconciliation: deposits should balance with reported data on the audit history. Any differences should be addressed.
5. Review the voided transactions. Consider this fraud scenario: Clerk completes a transaction with a taxpayer, collecting motor vehicle sales taxes. Later, the clerk voids the transaction and replaces it with a new transaction, lowering the original motor vehicle tax collected. The clerk pockets the difference. To verify that voided receipts are not being used to defraud the state, the auditor should use the daily void report and locate the original transaction, looking for the receipt that replaced the void. The sticker or license tag number found on the voided receipt can be run on the TAC's terminal to locate the new transaction and the amount of tax reported. If irregularities are found, the auditor should contact the motor vehicle dealer or previous owner to verify the correct sales information.
6. Interest-bearing accounts: the auditor should examine any bank records/statements to verify that any money kept in bank accounts is remitted to the state. Any interest found to be due the state would be an audit adjustment.
7. Penalty and interest: generally, penalty and interest are not charged to the county if the audit reveals additional tax due.

### **Exit Conference**

At the exit conference, discuss the following as needed:

1. any errors and problems should be discussed and explained.
2. if needed, make suggestions to improve internal controls.
3. the TAC should review RTS password security procedures with employees.
4. the titling clerk should not share workstation cash drawers.
5. ensure supervisory control of voids.
6. the TAC should conduct unannounced desk audits, and customers should complete Form 130-U's, not title clerks.
7. maintain records for manual records.
8. maintain void documentation.
9. separate and perhaps rotate duties if possible
10. the Comptroller should be notified regarding any irregularities as quickly as possible.

# Chapter 13

## Boat And Boat Motor

General Information  
Tax Rates  
Exemptions  
Payment of the Tax  
Audits of Boat and Boat Motor Dealers  
Exhibits  
Vessel/Boat Application  
Texas Boat and Boat Motor Sales and Use Tax Report

### General Information

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Since September 1, 1993, boats and boat motors have been subject to the boat and boat motor sales and use tax.

Boats covered by this tax are any watercraft, other than a seaplane on water, not more than 65 feet in length.

Some examples include the following:

- federally documented boats
- motorboats
- sailboats
- jet skis
- boats designed to accommodate an outboard motor

Excluded from this tax are the following:

- canoes
- kayaks
- rowboats
- inflatable rafts
- other watercraft designed to be propelled by paddle, oar or pole
- boat trailer, which are subject to the motor vehicle sales and use tax

A taxable motor is any self-contained internal combustion propulsion system that is detachable from the boat and used primarily for noncommercial purposes. Electric boat motors are excluded.

**Note:**

Electric boat motors are subject to the limited sales and use tax, as are leases, rentals and repairs of boats and boat motors.

### Tax Rates

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The tax is levied at 6.25 percent of the total consideration paid or to be paid for a taxable boat or boat motor sold in Texas or purchased outside Texas and brought into and used in Texas.



“Total consideration” includes the following:

- transportation before the sale
- accessories attached at the time of or before the sale, including radios, mirrors, transom-mounted ladders, electric trolling motors and depth finders. Safety equipment required by the Texas Parks and Wildlife, including life preservers and fire extinguishers, are considered to be attached to the boat or boat motor and are subject to the tax
- any manufacturer’s or importer’s excise tax imposed by the federal government

Total consideration does **not** include amounts separately stated on the bill or contract for the following:

- cash discounts
- a full cash or credit refund to a customer of the sales price of an item returned to the seller
- amounts charged for labor or service rendered in installing, applying, remodeling or repairing the boat or boat motor
- separately stated finance, service or other interest charges
- the value of a taxable boat or boat motor taken by the seller as all or part of the consideration for the sale of the boat or boat motor; no other tangible, intangible or real property is allowed as an exclusion from total consideration
- transportation charges after the sale

**New resident tax:** a \$15 tax is due for boats and boat motors brought into the state by new residents for use in this state. The taxable boat or boat motor must have been purchased and owned by the new resident in any other state or foreign country.

## Exemptions

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Exemptions from the boat and boat motor sales and use tax:

- sales made to the federal government
- sales made to the state of Texas or any of its political subdivisions
- sales for resale (by dealers and manufacturers only)
- sales for emergency service — a boat or boat motor sold for use by a volunteer fire department or other department, company or association organized for the purpose of answering fire alarms, extinguishing fires and providing emergency medical services is exempt. The department members must not receive any compensation or receive only nominal compensation for their services. The boat or boat motor must be used exclusively by the department, company or association.

There is no occasional sale exemption for this tax.

## Payment of the Tax

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Neither purchasers nor sellers file any tax returns. The tax is the obligation of and must be paid by the purchaser of the taxable boat or boat motor or by a new resident who brings a taxable boat or boat motor into Texas. A seller, donor or trader’s statement (see exhibit) should be prepared by both the seller and purchaser.

If the seller collects the boat tax from the purchaser, he or she must remit the boat tax to either the county tax assessor-collector or to the Texas Parks and Wildlife Department (TPWD) with 20 county working days from the date of delivery to the purchaser. If the seller does not collect the tax, the purchaser must take the original Form 130-U to either a county tax assessor-collector or to TPWD and remit the tax within 20 working days.

Counties and TPWD must submit a monthly Texas boat and boat motor sales and use tax report (due by the 20th of the following month) and remit taxes collected to the Comptroller's office. An exhibit of this report is included at the end of this chapter.

**Note:**

Many tax assessor-collectors do not collect this tax and refer customers to TPWD.

## **Audits of Boat And Boat Motor Dealers**

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### ***Taxpayer Histories***

TPWD maintains a database for sales made by each dealer. An email should be submitted to the subject-matter expert in Audit headquarters requesting the tax history for the boat/boat motor dealer. The email should include the dealer name, dealer number and the audit period. The subject-matter expert will forward the email to the division's contact with TPWD. Typically, information from TPWD is provided in an Excel spreadsheet and usually received within one week.

### ***Audit Procedures***

The procedures would be the same as for Limited Sales & Use Tax and for Motor Vehicle Sales & Use Tax. Basically, the auditor verifies the information on the taxpayer history by tracing the information to the taxpayer's records - sales invoices, sales journals, etc. If necessary, a letter may be sent to the customer for third-party verification.

### ***Tax Collected by the Boat/Boat Motor Dealer***

The tax is the obligation of and shall be paid by the purchaser of the taxable boat or boat motor. The boat dealer is not required to collect the tax under the Tax Code. However, if the dealer collects the tax and does not remit the tax to either a county tax assessor-collector or to TPWD, he or she is liable for the tax and any penalties.

### ***Statute of Limitations***

If auditing for this tax, all sales should be scheduled monthly, and the due date set to match the monthly limited sales and use tax dates. For example, an adjustment for a sale made on December 9, 2016, will be scheduled for the 1612 period and due on January 20, 2017.

### ***Scheduling Errors***


As with the motor vehicle sales and use tax, the auditor must prepare Excel spreadsheets containing the necessary documentation to support the adjustments being made. A separate schedule should be prepared for each type of error noted. Some examples of errors include understated sales prices and disallowed trade-ins (allowing a motor vehicle as a trade-in on a boat). A Summary of Tax Due schedule should be prepared that summarizes the total tax due for all errors noted. This schedule would flow to the audit adjustment report. Refer to the chapter on scheduling motor vehicle sales and use tax errors.

### ***Penalty and Interest***

Criteria for penalty and interest/credit interest are the same as with the limited sales and use tax.

Exhibits


Vessel/Boat Application (PWD 143) – Page 1

	<b>VESSEL/BOAT APPLICATION (PWD 143)</b> <b>Title &amp; Registration, Registration for USCG, or Sales and Use Tax Only</b>	OFFICE USE – REGISTRATION DECAL NUMBER ISSUED: _____																																																																																																																											
	This form is used to request a Texas title and/or registration for a vessel/boat or to pay tax on vessels 65 feet and under. To title an outboard motor, please use Outboard Motor Application (PWD 144). Supporting documents, original signatures and payment for fees and taxes must accompany this form for processing. Please refer to the instructions for PWD 143. Complete in blue or black ink. Titles print 21 days after being processed and are mailed from TPWD Headquarters in Austin.																																																																																																																												
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<b>G. Co-Owner: Accurate ID and DOB or EIN required. Rights of Survivorship? <input checked="" type="checkbox"/> Yes – Attach form PWD 790</b>																																																																																																																													
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<b>H. First Lien Holder: Check <input checked="" type="checkbox"/> if there is a second lien holder and attach sheet with additional lien information.</b>																																																																																																																													
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Vessel/Boat Application (PWD 143) – Page 2

I. Vessel Description:							
Serial/Hull ID # (from Section C)		Make of Vessel (Manufacturer)		Length ____ FT. ____ IN.	Year Built	Mdl/Prog Year	
<b>Hull Material</b> <input type="checkbox"/> Aluminum <input type="checkbox"/> Fiberglass <input type="checkbox"/> Plastic <input type="checkbox"/> Wood <input type="checkbox"/> Steel <input type="checkbox"/> Rubber/Vinyl/ Canvas <input type="checkbox"/> Other _____	<b>Predominant Color</b> <input type="checkbox"/> White/Beige <input type="checkbox"/> Gray/Silver <input type="checkbox"/> Brown/Tan/ Bronze <input type="checkbox"/> Black/ Dark Gray <input type="checkbox"/> Blue/Teal/ Turquoise <input type="checkbox"/> Red/Maroon <input type="checkbox"/> Green <input type="checkbox"/> Yellow/Gold <input type="checkbox"/> Orange <input type="checkbox"/> Purple/Pink <input type="checkbox"/> Camouflage/ Multi	<b>Propulsion Type</b> <input type="checkbox"/> Propeller <input type="checkbox"/> Waterjet <input type="checkbox"/> Sail <input type="checkbox"/> Manual <input type="checkbox"/> Air Thrust <input type="checkbox"/> Other _____		<b>Fuel Type</b> <input type="checkbox"/> Gasoline <input type="checkbox"/> Diesel <input type="checkbox"/> Electric <input type="checkbox"/> None-N/A <input type="checkbox"/> Other _____	<b>Vessel Use</b> <input type="checkbox"/> Pleasure <input type="checkbox"/> Livery <input type="checkbox"/> Charter Fishing <input type="checkbox"/> Commercial Fishing <input type="checkbox"/> Commercial Passenger <input type="checkbox"/> Other Commercial <input type="checkbox"/> Govt/Political Subdivision		
<b>Engine Type</b> <input type="checkbox"/> Outboard <input type="checkbox"/> Inboard <input type="checkbox"/> Inboard/ Outdrive		<b>Engine Type</b> <input type="checkbox"/> Pod Drive <input type="checkbox"/> None-N/A <input type="checkbox"/> Other _____		<b>Vessel Type</b> <input type="checkbox"/> Open <input type="checkbox"/> Cabin <input type="checkbox"/> Houseboat <input type="checkbox"/> PWC/Jet Ski <input type="checkbox"/> Airboat <input type="checkbox"/> Aux Sail <input type="checkbox"/> Inflatable <input type="checkbox"/> Paddlecraft <input type="checkbox"/> Pontoon <input type="checkbox"/> Rowboat <input type="checkbox"/> Sail Only <input type="checkbox"/> Other _____			
<b>Inboard, Inboard/Outdrive, or Pod Drive Only:</b> _____						<input type="checkbox"/> Antique Vessel – Year built 35 years or older	
<b>MOTOR #1</b>	<b>Serial #</b>	<b>Outdrive #</b>	<b>Horsepower</b>				
<b>MOTOR #2</b>	<b>Serial #</b>	<b>Outdrive #</b>	<b>Horsepower</b>				
J. Previous Owner (Seller, Donor, Trader):							
<b>Last Name or Company Name</b>			<b>Suffix</b>	<b>First Name</b>		<b>MI</b>	
<b>Address</b>			<b>City</b>	<b>State</b>	<b>Zip Code</b>	<b>Phone Number</b> ( ) _____	
K. If the vessel was acquired from a Texas Marine Dealer, Distributor or Manufacturer, enter the License Number: TX- _____ -AA				If acquired from a Dealer/Distributor/Manufacturer outside of Texas, check this box: <input type="checkbox"/>			
<b>TAX AFFIDAVIT: Any alterations to Section L Item 1, Section M or Section N items 1-3 in the Tax Affidavit area will void this application.</b> The seller must complete the applicable items in the Tax Affidavit Section L Item 1, Section M and Section N items 1-3. A complete bill of sale or invoice signed by the seller may be used in lieu of the seller completing the Tax Affidavit and signing below. See PWD 143 instructions for bill of sale or invoice requirements.							
<b>TAXES &amp; FEES CALCULATION</b>	<b>Qualifying Exemptions from Payment of Tax</b>						
	<input type="checkbox"/> 1. Ownership change is a result of gift, no tax owed. Complete Section N items 11-16. <input type="checkbox"/> 2. New Texas resident, transferring title/registration from out of state. Complete Section N items 10-16 (new resident tax applies – \$15). <input type="checkbox"/> 3. Applicant is owner, vessel purchased in Texas or first used in Texas prior to January 1, 2000. Complete Section N items 1 and 11-16. <input type="checkbox"/> 4. Vessel acquired by a United States government, Texas state, county, or city government entity or qualifying Emergency Service Organization. Enter \$0 in item N16. <input type="checkbox"/> 5. Canoes, kayaks, rowboats, inflatable rafts, punts or other watercraft designed to be propelled by paddle, oar or pole are excluded from boats and boat motor sales and use tax. <input type="checkbox"/> 6. A ship or vessel greater than 65 feet in length of eight or more tons displacement, that is used exclusively and directly in a commercial enterprise and is sold by the vessel's builder. <input type="checkbox"/> 7. Vessels greater than 65 feet in length, and not eligible for exemption #6, are required to pay Texas Limited Sales, Excise and Use Tax to a permitted seller or directly to the Comptroller of Public Accounts. <input type="checkbox"/> 8. Vessel is being titled for resale purposes by a licensed Texas Marine Dealer, insurance company, lien holder, or pawnshop, and will not be used on Texas public waters (no registration will be issued).						
	<b>L.</b>	<b>TRADE-IN INFORMATION (if any) VESSEL/OUTBOARD MOTOR ONLY – NO TRAILER INFO</b>		<b>Make of Vessel/ Outboard Motor</b>	<b>Hull Identification or Serial Number</b>	<b>Year</b>	<b>Length/ Horsepower</b>
							<b>Registration Number</b> TX- _____
		1. Date of TX sale or first use in TX: (mm/dd/yy) ____ / ____ / ____	9. Total tax, penalty and interest owed (add items 7&8)	\$ _____			
		2. Sales price (do not include price of trailer)	10. New resident tax (\$15) if applicable	\$ _____			
		3. Trade-in amount (Section M) if any	11. Title fee (see Fee Chart)	\$ _____			
		4. Taxable amount (item 2 minus item 3)	12. Additional Certificate of No. ID Cards (see Fee Chart)	\$ _____			
	5. Sales or use tax – multiply item 4 x .0625	13. Registration fee if new or expired (see Fee Chart)	\$ _____				
	6. Tax paid previously to _____ (list state)	14. Ownership transfer fee if applicable (see Fee Chart)	\$ _____				
	7. Total tax due Texas (item 5 minus item 6)	15. Game Warden Inspection (\$25) if applicable	\$ _____				
	8. Tax penalty and interest (if past 20 working days from date of sale—see form PWD 930 to calculate amount owed)	16. <b>TOTAL AMOUNT DUE</b> (add items 9 through 15)	\$ _____				
<b>SIGNATURES</b>	<b>WARNING:</b> Falsifying information on documents is a punishable offense – Texas Penal Code Chapter 37, Section 37.10. Any person who knowingly makes a false entry in, or false alteration of a governmental record is guilty of a felony of the third degree, punishable by confinement in jail for any term of not more than 10 years or less than 2 years and punishable by a fine not to exceed \$10,000. <b>I hereby certify that all statements in this document are true and correct to the best of my knowledge and belief.</b>						
	<b>O. Seller(s), Previous Owner(s), or Lawful Representative – This individual is responsible for completing Section J and the applicable items in Section L Item 1, Section M and Section N items 1-3.</b>						
	Company name (if applicable): _____			Date: ____ / ____ / ____			
	Owner signature: _____		Printed name: _____				
Co-owner signature: _____		Printed name: _____					
<b>P. Applicant(s), New Owner(s), or Lawful Representative</b>							
Company name (if applicable): _____			Date: ____ / ____ / ____				
Owner signature: _____		Printed name: _____					
Co-owner signature: _____		Printed name: _____					

**Texas Boat and Boat Motor Sales and Use Tax Report**



Comptroller of Public Accounts  
Form 57-100 (Rev. 2-17/7)



PRINT FORM

RESET FORM

\* 5 7 1 0 0 0 0 W 0 2 1 7 0 7 \*

**Texas Boat and Boat Motor Sales and Use Tax Report**

a. ■ 57100      • Do not write in shaded areas.

c. Taxpayer number

d. Filing period

e.

f. Due date

g. Name and mailing address (Make any necessary name or address changes below.)

**h. IMPORTANT**

Blacken this box if your mailing address has changed. Show changes by the preprinted information. →

i.

j.

1. Number of receipts issued (Including Voids) ..... 1. ■ \_\_\_\_\_

**TAX COMPUTATION** **Report dollars and cents.**

2. Gross Boat & Boat Motor Sales and Use Tax collected ..... 2. ■ \_\_\_\_\_

3. Tax Assessor-Collector/Department fee ( 5% of Item 2) ..... 3. ■ \_\_\_\_\_

4. Net taxes collected (Item 2 minus Item 3) ..... 4. ■ \_\_\_\_\_

5. Interest earned ..... 5. ■ \_\_\_\_\_

6. TOTAL AMOUNT DUE (Item 4 plus Item 5) ..... 6. ■ \_\_\_\_\_

Form 57-100 (Rev. 2-17/7)      \*\*\* DO NOT DETACH \*\*\*

7. Total amount of prepayments ..... 7. \_\_\_\_\_

8. TOTAL AMOUNT DUE AND PAYABLE (Item 6 minus Item 7) ..... 8. ■ \_\_\_\_\_

k.

l.

Taxpayer name \_\_\_\_\_

■ T Code    ■ Taxpayer number    ■ Period

Make check payable to **State Comptroller.**

Mail to Comptroller of Public Accounts  
P.O. Box 149360  
Austin, TX 78714-9360

For assistance, call 1-800-252-5555.

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.

Duly authorized agent

**sign here** →

Business phone \_\_\_\_\_ Date \_\_\_\_\_

lll B

## Chapter 14

# Manufactured Housing

Introduction

Definitions

Taxation of Manufactured Housing

Records Required

Exemptions

Exhibit — Texas Manufactured Housing Sales Tax Return

Exhibit — Texas Manufactured Housing Sales and Use Exemption Certificate

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### Introduction

Before March 1, 1982, mobile homes were taxed under the Motor Vehicle Sales and Use Tax (Chapter 152). As of March 1, 1982, manufactured homes, previously called mobile homes, became subject to the Manufactured Housing Sales and Use Tax Act. This brief chapter will help the auditor distinguish between items taxed under the Manufactured Housing Sales and Use Tax Act and those taxed under the Motor Vehicle Sales and Use Tax.

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### Definitions

#### ***HUD-Code Manufactured Home:***

A structure constructed on or after June 15, 1976, according to the rules of the U.S. Department of Housing and Urban Development, transportable in one or more sections, which in traveling mode is eight body feet or more in width or 40 body feet or more in length, or when erected on the site is 320 or more square feet in area; is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities; and includes plumbing, heating, air conditioning and electrical systems.

#### ***Manufactured Home:***

A HUD-code manufactured home, mobile home or modular home. A manufactured home does not include a recreational vehicle, park model or house trailer. It does not include a structure that is not designed as a residence.

#### ***New Manufactured Home:***

A manufactured home that has not been subject to a retail sale.

#### ***Used Manufactured Home:***

A manufactured home that has been subject to a retail sale.

#### ***Mobile Home:***

A structure constructed before June 15, 1976, transportable in one or more sections, which in the traveling mode is eight body feet or more in width or 40 body feet or more in length, or when erected on site is 320 or more square feet in area; is built on a permanent chassis and designed to be used as a dwelling with or



without a permanent foundation when connected to the required utilities; and includes plumbing, heating, air conditioning and electrical systems.

**Modular Home/Industrialized Housing:**

A modular home is a residential structure constructed in one or more modules at a location other than the homesite, or constructed using one or more modular components, and designed to be used as a permanent residence when the modular components or modules are transported to the homesite and joined together or erected and installed on a permanent foundation. The term includes the plumbing, heating, air conditioning and electrical systems.

A modular home does **not** include the following:

- a residential structure that exceeds three stories or 49 feet in height
- housing constructed of sectional or panelized systems not using modular components
- a ready-built home constructed so that the entire living area is contained in a single unit or section at a temporary location for the purpose of selling it and moving it to another location
- any dwelling constructed in modules incorporating concrete as the predominant structural component

**Retail Sale:**

A sale to a consumer as opposed to a sale to a retailer for resale or for further processing and resale.

**Taxation of Manufactured Housing**

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The manufactured housing sales tax is due on all **new** manufactured homes sold by manufacturers on or after March 1, 1982. A manufactured home is presumed to be sold at the time the home is sold or consigned by the manufacturer to a retailer or other person in Texas or is shipped to any point in Texas for the use and benefit of any person.

New manufactured homes purchased outside Texas for use, occupancy, resale or exchange in Texas are subject to a use tax. The person to whom or for whom the manufactured home is sold, shipped or consigned in Texas is liable for the use tax. Credit would be allowed for any sales or use tax previously paid on the manufactured home in any state. Also, a use tax would not be due if the manufacturer has previously paid the Texas manufactured housing sales and use tax on the manufactured home.

The tax does **not** apply to any manufactured home purchased at retail in Texas.

The tax rate (both sales and use) is 5.0 percent of 65 percent or .0325 of the sales price of the manufactured home. The sales price does not include any shipping, freight or delivery charges from the manufacturer if those charges are separately stated on the invoice or bill of sale. The manufacturer must be permitted with the Comptroller's office and must report and pay the tax to the Comptroller on or before the last day of the month following the month in which the manufactured home was sold.

**Records Required**

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Every manufacturer selling, shipping or consigning manufactured homes to or for any person in Texas shall keep on file for the limitation period records showing the following:

- the identification number of each module or section of each manufactured home sold, shipped or consigned;
- the name of the retailer or other person to whom or for whom the manufactured home was sold, shipped or consigned and the address to which the home was delivered in Texas; and
- the sales price of each manufactured home sold, shipped or consigned.

## Exemptions

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No tax is due on manufactured homes sold, shipped, or consigned to or for use or occupancy by the following:

- the federal government or its agencies or instrumentalities;
- any agency or instrumentality wholly owned by the U.S., or a corporation wholly owned by the U.S.;
- The state of Texas or its agencies or instrumentalities;
- any county, city or town, special district, or other political subdivision of the state of Texas; and
- any organization created for religious, educational, charitable or eleemosynary purposes, provided that no part of the net earnings of any such organization is for the benefit of any individual, and that the use of the manufactured home is related to the purpose of the organization.

An exemption certificate is available to support tax-free sales. The exemption certificate must include the following:

- names and addresses of the manufacturer, retailer and purchaser
- a description of the manufactured home
- the address at which the manufactured home will be installed
- reason for the exemption
- signatures of both the retailer and purchaser

A retailer must keep a copy of the exemption certificate attached to the invoice or bill of sale transferring title of the manufactured home to the purchaser. The manufacturer must retain the original exemption certificate. An exhibit of a manufactured housing exemption certificate is included later in this chapter.

The tax is **not** imposed on a manufactured home sold to a Texas retailer for resale at retail to a resident of another state if the home is transported to and installed for occupancy on a homesite located in another state. However, tax would be due if the home is titled or registered in Texas or if the home is used for any purpose other than display prior to being transported outside Texas.

When a manufacturer located in Texas ships a manufactured home to a point outside Texas, the tax is not imposed if the following applies:

- the manufacturer ships the manufactured home with his own vehicles; or
- the manufacturer delivers the manufactured home to a carrier who delivers the home under a bill of lading to a consignee located outside Texas.


A retailer who has previously paid the sales tax to the manufacturer on a manufactured home later transported outside Texas prior to any use in Texas may claim a credit or a refund from the manufacturer.

### Note:


There is no exemption for a bad debt. For example, a manufacturer sells and delivers a manufactured home to a retailer in Texas and reports and pays the tax to the Comptroller's office. The manufacturer finances the sale to the dealer through a related corporation with recourse. The dealer later defaults on the note. The manufacturer pays back the related corporation and repurchases the manufactured home, including the amount of sales tax paid. The manufacturer is not entitled to a credit of the sales tax previously reported and paid. Any recourse would have to be against the dealer.



**Exhibit – Texas Manufactured Housing Sales Tax Return**



Comptroller of Public Accounts  
18-100 (Rev. 7-15/16)



RESET FORM

PRINT FORM

\* 1 8 1 0 0 0 0 0 0 7 1 5 1 6 \*

## Texas Manufactured Housing Sales Tax Return

a. T Code ■ 46100

c. Taxpayer number

**• Type or print.**

d. Filing period

**• Do NOT write in shaded areas.**

e.  

f. Due date

g. Name and mailing address (Make any necessary name or address changes below.)

**h. IMPORTANT**

Black in this box if your mailing address has changed. Show changes by the preprinted information. 1.

Black in this box if you are no longer in business and write in the date you went out of business. 2.

Month	Day	Year

i.        j.

**Instructions for Completing Manufactured Housing Sales Tax Return**

**Who Must File -**  
Every manufacturer of mobile homes or modular homes responsible for collecting Texas Manufactured Housing Sales Tax must file a return. (TEX. TAX CODE ANN. ch. 158) Returns must be filed for every period even though there is no amount subject to tax or any tax due. Complete and detailed records must be kept of all sales as well as any deductions claimed so that returns can be verified by a state auditor.

**When to File -**  
File returns on or before the last day of the month following each reporting period. If the due date falls on a Saturday, Sunday or legal holiday, the next business day will be the due date.

**Whom to Contact for Assistance -**  
For Manufactured Housing Tax assistance, contact the Texas State Comptroller's office at 1-800-252-1382.

**General Instructions -**  
- If any preprinted information is not correct, mark out the item and put in the correct information.

**Specific Instructions -**

**Item 1 -** Enter the total amount of ALL sales of manufactured housing made during the reporting period.

**Item 2 -** Enter only the total amount of sales of manufactured housing that are subject to tax. Exemption certificates for all exempt Texas sales must be kept in your file.

**Item 5 - PENALTY -** If return is filed or tax paid after due date, enter penalty. 1 - 30 days late - 5% of Item 4. More than 30 days late - 10% of Item 4. (Minimum penalty \$1)

**Item 6 - INTEREST -** If any tax is unpaid 61 days after the due date, enter interest calculated at the rate on Pub. 98-304, online at [www.comptroller.texas.gov](http://www.comptroller.texas.gov), or call 1-877-447-2834.

*Calculate the amount of tax due. Report dollars and cents.*

1. Gross sales .....	1. <span style="font-weight: bold;">■</span> _____
2. Taxable sales .....	2. <span style="font-weight: bold;">■</span> _____
3. Tax rate .....	3. <span style="font-weight: bold;">■</span> _____
4. Total tax due (Multiply Item 2 by Item 3) .....	4. <span style="font-weight: bold;">■</span> _____
5. Penalty due (See instructions) .....	5. _____
6. Interest due (See instructions) .....	6. _____
7. TOTAL AMOUNT DUE AND PAYABLE (Item 4 plus Item 5 and Item 6) .....	7. <span style="font-weight: bold;">■</span> _____

Taxpayer name k.        l.  

■ T Code
■ Taxpayer number
■ Period

Make the amount in Item 7 payable to STATE COMPTROLLER.

Mail to: COMPTROLLER OF PUBLIC ACCOUNTS  
P.O. Box 149360  
Austin, TX 78714-9360

I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.

**sign here**

Taxpayer or duly authorized agent

Business phone \_\_\_\_\_ Date \_\_\_\_\_

111 A

18-100 (Rev. 7-15/16)

**Exhibit - Texas Manufactured Housing Sales and Use Exemption Certificate**

Comptroller of Public Accounts 18-301 (4-06)		
<b>TEXAS MANUFACTURED HOUSING SALES AND USE TAX EXEMPTION CERTIFICATION</b>		
<b>RETAILER CERTIFICATION</b>		
The undersigned hereby claims an exemption from payment of the taxes imposed under Texas Tax Code, Chapter 158, Manufactured Housing Sales and Use Tax Act, for the manufactured home described below.		
Manufacturer name		
Manufacturer address		
City	State	ZIP code
Label/Decal no.	Serial no.	
Dimensions		
Additional sections of same home.		
Label/Decal no.	Serial no.	
Dimensions		
Label/Decal no.	Serial no.	
Dimensions		
Retailer name		
Retailer address		
City	State	ZIP code
<b>sign here</b>		Date
The manufactured home is being sold to the purchaser below.		
Purchased by		
Address of purchaser		
City	State	ZIP code
Address where home will be installed		
City	State	ZIP code
<b>PURCHASER CERTIFICATION</b>		
I certify that the manufactured home described herein is being purchased and will be used in accordance with the exemption provisions under the Manufactured Housing Sales and Use Tax Act, Sec. 158.101, Texas Tax Code.		
Reason for exemption		
Typed or printed name		
<b>sign here</b>		Date