



Salvage Vehicles: What Tax is Due?

Unrepaired salvage vehicles are **tangible personal property** and do not meet the definition of a motor vehicle in the **Texas tax code**. When you buy an unrepaired salvage vehicle in Texas, you owe **limited sales and use tax** (6.25 percent state tax, plus up to 2 percent local tax) and not motor vehicle tax.

A "salvage vehicle" is a vehicle that

- has damage to, or is missing, a major component part – to the extent that the cost of repairs exceeds the actual cash value of the motor vehicle immediately before the damage;
- is declared a total loss by an insurance company; or
- is certified as abandoned or nonrepairable by the **Texas Department of Motor Vehicles** (TxDMV).

If you buy an unrepaired salvage vehicle from a Texas seller who does not charge you sales tax, or if you buy an unrepaired salvage vehicle outside Texas for use in this state, you must **pay use tax** directly to the Comptroller's office.

You owe motor vehicle sales and use tax when you buy a repaired salvage vehicle that has passed a Texas Department of Public Safety vehicle inspection, qualifying it as a motor vehicle that is eligible for a regular (or "clear") title from the TxDMV.

