

Motor Vehicle Tax: Standard Presumptive Value and Calculating Tax Due on a Used Vehicle Purchase

SEPTEMBER 2006

When you buy a used motor vehicle, you should know that the Texas motor vehicle sales and use tax you owe may not be based on the amount you pay the seller.

Effective October 1, 2006, Texas law changes how to calculate the motor vehicle tax on private-party purchases of used motor vehicles. These private-party purchases – from a neighbor, a relative or any other individual – do not involve a licensed dealer.

The new law adds a standard presumptive value (SPV) calculation that applies to used motor vehicles purchased in Texas or purchased out of state for Texas use. There is no change to the 6.25 percent motor vehicle tax rate. The county tax assessor-collector collects the tax due when the buyer titles and registers the used vehicle at the local county tax office.

Vehicles Subject to the SPV Calculation

The new law applies to all types of used motor vehicles. Basically, a motor vehicle is a self-propelled vehicle designed to transport persons or property, or a vehicle designed to carry property while being towed by another vehicle, on the public highways.

Off-road vehicles, such as dirt bikes and all-terrain vehicles (ATVs), are not considered motor vehicles for motor vehicle sales tax purposes. They are not subject to the SPV calculation.

Sales Excluded from the SPV Calculation

The SPV calculation does not apply to these sales:

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

Tax Due on a Used Motor Vehicle Purchased in a Private-Party Sale

For private-party sales of used motor vehicles, Tax Code Section 152.0412 requires that SPV be used to determine the tax base for calculating tax due. The Texas Department of Transportation (TxDOT) will publish SPVs for all used motor vehicles.



For more information, visit our Web site www.window.state.tx.us

Receive tax help via e-mail at tax.help@cpa.state.tx.us

A purchaser can check a used vehicle's SPV online at www.txdot.gov. The purchaser will need the vehicle's mileage and vehicle identification number (VIN). At the time of titling and registration for a vehicle purchased or brought into Texas on or after October 1, the county tax assessor-collector will determine the motor vehicle tax due from one of the following:

- the vehicle's sales price, if the purchaser paid 80 percent or more of the vehicle's SPV;

- 80 percent of the vehicle's SPV, if the purchaser paid less than 80 percent of the vehicle's SPV; or
- the vehicle's certified appraised value, if the purchaser paid less than 80 percent of the vehicle's SPV and provides a certified appraisal.

Be aware that the vehicle's SPV shown online on TxDOT's Web site is the full value, not 80 percent.

Example:

Example #1: Joe buys a used pickup from his sister Mary for \$2,000. When Joe registers and titles the pickup, the selling price on the title application he and his sister have completed and signed is \$2,000. The county tax clerk determines that the used pickup's SPV, based on information supplied by TxDOT, is \$5,000; 80 percent of \$5,000 is \$4,000. Joe owes \$250 motor vehicle sales and use tax ($\$4,000 \times 6.25$ percent) unless he gives the county, within 20 county working days of purchase, a certified appraisal showing that the pickup's retail value is less than \$4,000.



Certified appraisal

A purchaser who pays less than 80 percent of the vehicle's SPV can realize a tax savings if a certified appraisal for the used vehicle reflects a lesser value. For example, a used vehicle may be worth less if it has substantial body damage or needs major mechanical work. The purchaser must present the appraisal to the county on a Comptroller form within 20 county working days from the purchase date or within 20 county working days after bringing the vehicle into Texas.

There are two ways to get a certified appraisal: from a motor vehicle dealer licensed for that category of vehicle or from a licensed insurance adjuster. For example, a purchaser can request a car dealer to appraise a car, a motorcycle dealer to appraise a motorcycle or a trailer dealer to appraise a trailer.

Dealer fees for appraisals are set by law and Comptroller rule. For most vehicles, a dealer can charge from \$100 to no

more than \$300 for a certified appraisal. A dealer's certified appraisal of a motorcycle can cost from \$40 to \$300, and a dealer appraisal of a house trailer, travel trailer or a motor home can cost from \$100 to \$500.

The law allows licensed insurance adjusters to determine the fees they charge.

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

[Comptroller Form 14-128, Used Motor Vehicle Certified Appraisal Form](#), is available on Window on State Government at www.window.state.tx.us. Select "Texas Taxes." The Comptroller's office provides this form to licensed motor vehicle dealers and insurance adjusters.

Example:

Example #2: Sally sees a classified ad in her newspaper and buys a car from Dan for \$10,000. She checks with TxDOT and finds the SPV is \$25,000; 80 percent of SPV is \$20,000. Since the car had some major body damage, Sally pays a local used car dealer \$300 for a certified appraisal that sets the car's value at \$12,000. Sally registers and titles the vehicle, indicating the selling price on the title application as \$10,000, and includes the dealer's \$12,000 appraisal. Sally's tax is 6.25 percent of \$12,000, or \$750. If she had not gotten the appraisal, her tax would have been 6.25 percent of \$20,000 (80 percent of SPV), or \$1,250. So, even after paying \$300 for the appraisal, Sally saved \$200.

Tax Due on a Used Motor Vehicle Purchased from a Licensed Dealer

Tax on a used vehicle sold by a licensed dealer is based on the sales price. The selling dealer's signature on the title application is an acceptable record of the sales price. The county tax assessor-collector, however, can request the dealer's invoice or sales receipt from the purchaser.

Call or e-mail with questions or for more information.

For any questions about the motor vehicle sales tax, contact the Comptroller's office toll-free at 1-800-252-1382 or e-mail tax.help@cpa.state.tx.us. For SPV data, contact TxDOT at 512-465-7611 or e-mail VTR-CIS@dot.state.tx.us.



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