



2009 Legislative Changes to Motor Vehicle Sales and Use Tax For County Tax Assessor-Collectors and Motor Vehicle Dealers

Dear County Tax Assessor-Collector or Motor Vehicle Dealer:

Several bills passed during the 81st Legislative Session impact requirements related to Texas motor vehicle sales and use tax. This notice summarizes those changes to help you and your customers understand the new laws and requirements.

Mandatory Acceptance of Orthopedically Handicapped Person Exemption Certificate

House Bill 236 (Effective Sept. 1, 2009)

Beginning Jan. 1, 2010, a dealer selling a motor vehicle may not collect motor vehicle sales tax when a purchaser claims an exemption for an orthopedically handicapped person when the purchaser signs a properly completed Form 14-318, *Exemption for Orthopedically Handicapped Person*, at the time of the sale.

To establish qualification for the exemption, the purchaser must complete all information requested on the exemption certificate and provide any applicable supporting documentation (as required by Rule 3.84) at the time of the sale.

Exemption certificates *must* be retained by the selling dealer. A seller who accepts the required exemption certificate in good faith is held harmless and has no responsibility to investigate the purchaser's claim.

The exemption certificate will be available Dec. 1, 2009 on our Web site at www.window.state.tx.us/taxinfo/taxforms/14-forms.html.

NOTE: This change applies only to sales made on or after Jan. 1, 2010.

Tax on Gifts of Motor Vehicles

House Bill 2654 (Effective Sept. 1, 2009)

This bill establishes new criteria for determining when a transaction qualifies as a gift for motor vehicle tax purposes. Effective Sept. 1, 2009, the only transactions that qualify to be taxed as gifts (\$10) are those wherein the vehicles are received from, a:

- parent or stepparent;
- grandparent or grandchild;
- child or stepchild;
- sibling;
- guardian;
- decedent's estate.

A vehicle also qualifies to be taxed as a gift when it is donated to, or given by, a nonprofit service organization qualifying under the Internal Revenue Code, Sec. 501(c)(3).

All other motor vehicle transfers made without payment of consideration are now defined as sales and will be subject to tax calculated on the normal standard presumptive value (SPV) of the vehicle as determined through the Registration and Title System (RTS).

To document a gift, the donor and person receiving the vehicle must complete a joint *notarized* affidavit of fact



describing the transaction and the relationship between the parties. This document should be provided to the County Tax Assessor-Collector along with the *Application for Certificate of Title* (Form 130-U) and will become part of the title package.

The affidavit (*Affidavit of Motor Vehicle Gift Transfer* Form 14-317,) is available on our Web site at www.window.state.tx.us/taxinfo/taxforms/14-forms.html.

Citrus Pest and Disease Management Corporation

Senate Bill 1016 (Effective Sept. 1, 2009)

The Agricultural Code is amended to provide an exemption from motor vehicle tax for the Texas Citrus Pest and Disease Management Corporation.

Department of Motor Vehicles Created

House Bill 3097 (Effective Sept. 1, 2009)

This legislation creates the new Department of Motor Vehicles and transfers certain related duties of the Texas Department of Transportation to the new agency. A new board and executive director are provided for in the House Bill.

Debt Cancellation Agreement

Senate Bill 1966 (Effective Sept. 1, 2009)

The Finance Code is amended to allow a seller of a motor vehicle to charge a fee to a purchaser for a debt cancellation agreement to cover an event in which a purchased vehicle is destroyed or stolen. This fee is not subject to motor vehicle sales and use tax.

A summary of all changes in Texas tax laws, including limited sales and use tax and franchise tax, arising from legislation passed during the 81st Regular Session of the Texas Legislature, is available in Publication 96-237. The publication is available on the Comptroller's Web site at www.window.state.tx.us/taxinfo/taxpubs/st_update.html.

We hope this information is helpful. If you have any questions concerning this notice or Texas motor vehicle sales and use tax, please call us at (800) 252-1382, or in Austin at 463-4600. You may also e-mail us at tax.help@cpa.state.tx.us.

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