

## **CHAPTER 7.**

### **SALES TAXES, VEHICLE INVENTORY TAXES, AND STANDARD PRESUMPTIVE VALUE**

NOTE: This section is meant solely as a primer and may not reflect the most recent law changes as Motor Vehicle Sales and Use Tax is regulated by the Texas Comptroller of Public Accounts. More detailed information may be obtained by calling 1-800-252-1382 or 512-463-4600. For Information regarding Vehicle Inventory Tax call 1-800-252-9121. For a complete list of motor vehicle sales and use tax forms, see [http://www.txdot.gov/txdot\\_library/forms/government/tax\\_collectors.htm](http://www.txdot.gov/txdot_library/forms/government/tax_collectors.htm)

**7.1 Sales Tax.** A sales tax, currently 6.25 percent, is levied on all motor vehicle sales in the state of Texas. For sales tax purposes, the taxable total consideration of a motor vehicle is the sale price of the vehicle, less any trade-in allowance for a motor vehicle. It does not include documentary fees, inspection fees, finance charges or the title and registration fees. If the tax is submitted to the county tax assessor-collector more than 20 working days after the sale, a penalty of 5 percent of the sales tax due is levied. If the tax is paid more than 30 calendar days after the date on which the tax was due, an additional 5 percent penalty is due.

**7.2 Dealer-financed Sales.** If you are a dealer who offers consumers contracts to finance sales, you must be licensed by the Office of the Consumer Credit Commissioner. You must also hold a permit from the Comptroller's Office. When the application for transfer of title is submitted, the dealer's seller-financed sales tax permit number from the Comptroller is placed on the application to defer the tax. To summarize the payment options, there are three methods for paying sales tax:

- a. Pay the sales tax in full when the application for transfer of title is submitted.
- b. Pay the sales tax in full at the next seller-financed reporting period. This usually gives the dealer many weeks before the sales tax is due.
- c. Pay the sales tax on the receipts collected during each reporting period at the time of filing the seller-financed reports. The tax is paid only on the amounts collected. Under this option, the sales tax on a down payment would be due when the dealer files his seller-financed sales report to the Comptroller. The remaining taxes would then be collected on a straight-line basis for the remainder of the note amount. If payments stop and the vehicle is repossessed, sales tax must be paid only on the actual payments received by the dealer. This method is preferred by most dealers.

This right to defer sales taxes is canceled in two situations. If the dealer does not transfer title within 60 days of the sale, all the sales tax is due in the period in which the failure to transfer the title occurs. Further, if the sales contract is sold to an unrelated third party or a nonqualifying related third party, the full sales tax amount is due in the period in which the note transfer occurs. The ability to defer sales tax on the transaction

no longer exists.

**7.3 Cash Sales.** The law requires the selling dealer in all cash sales (including bank-financed sales) to collect the sales tax from the customer and to pay it to the county tax office within 20 county working days. The failure to collect sales tax is not an excuse for failure to apply for transfer of title in a timely manner. The dealer may not give the title and transfer paperwork to the consumer and send the consumer to the tax office to apply for transfer of title. The dealer must handle the transaction. Even if no cash is received from a buyer, such as when a trade-in is used as the down payment on a replacement vehicle, the dealer must apply to transfer title in a timely manner and pay the applicable sales tax. To this day, tax offices statewide report dozens of dealers who do not collect the sales tax and rely on the buyer to handle the transfer themselves. These complaints result in warning letters and civil penalties assessed against the dealer by MVD. Failure to collect and pay tax may also result in actions by the Comptroller.

**7.4 Use of Exemption Certificates.** There are two types of sales that do not require sales tax to be collected by the selling dealer:

**a. Texas Motor Vehicle Sales Tax Exemption Certificate - For Vehicles Taken Out of State.** If the vehicle is to be transported immediately out of Texas for titling and registration, a motor vehicle sales tax exemption certificate (Form 14-312) may be completed and signed by the buyer. To be a valid exemption, there must be no use of the vehicle in Texas other than the immediate transportation of the vehicle out of the state. This form is not filed with any government agency. It is retained by the dealer as proof that the transaction qualifies for sales tax exemption. See form on Page 7-7.

**b. Texas Motor Vehicle Sales Tax Resale Certificate - For Wholesale Sales.** If the vehicle is sold wholesale to another Texas dealer who is purchasing it for resale only, no sales tax is due. Note that a new motor vehicle may be purchased for resale only by a dealer franchised to sell that type of new vehicle, while a used vehicle may be purchased for resale by any dealer holding a GDN. This form is not filed with any government agency. It is retained by the dealer as proof that the transaction qualifies for sales tax exemption. A blanket form of the certificate may be used if multiple sales are anticipated. See form on Page 7-8.

**7.5 Motor Vehicle Inventory Taxes.** Since 1994, all motor vehicle dealers – except those selling trailers and those with wholesale licenses – have had to report and pay motor vehicle inventory taxes (VIT). This is a property tax on dealers who were in business on January 1 of a particular year. A Dealer's Motor Vehicle Inventory Declaration (VIT Declaration) form must be filed upon the opening of a dealership and annually thereafter, as detailed below. Dealer's Motor Vehicle Inventory Tax Statements (VIT Statements) detailing the prior month's sales must be filed monthly.

**a. What to file.**

**1. Upon Becoming Licensed.** In the dealer's first partial calendar year of business, he

or she establishes a tax rate. This is done by filing a VIT Declaration with the county chief appraiser and sending a copy to the tax assessor-collector within 30 days of being licensed. The Declaration informs these offices that a new dealership has been established and a file must be started on the dealership. Thereafter, in the first partial calendar year of business, the dealer must complete and file monthly VIT Statements, filing the original with the county tax assessor-collector and a copy with the county appraisal district's chief appraiser. No VIT payments are due on these reports during the first calendar year. The monthly VIT Statements will be used to establish the tax rate for the following year.

**2. VIT Declarations.** The dealer's obligation to pay VIT payments begins on January 1 of the calendar year after the dealership is established. In January of each year, between January 1 and 31, the dealer must file an annual VIT Declaration summarizing sales for the preceding calendar year.

**3. VIT Statements.** Each month in that first full calendar year of business the dealer must file a monthly VIT Statement and pay any VIT payments due.

**Monthly VIT Statements and annual Declarations are due whether or not any motor vehicles have been sold.**

**b. When to Report.** Every licensed motor vehicle dealer in the state of Texas, with the exception of those holding trailer dealer and wholesale licenses, is required to file the Dealer Motor Vehicle Inventory Declaration form, which lists the total value of the dealer's motor vehicle inventory sold during the previous year. This form must be filed with the county appraisal district each year between January 1 and January 31. **A copy must also be sent to the county tax assessor-collector's office.** New dealers must file a Declaration form within 30 days of opening their business to report their name, address and MVD license information.

Motor vehicle dealers must also file with the county tax assessor-collector's office the Dealer's Motor Vehicle Inventory Tax Statement, which lists the motor vehicles sold. **A copy must also be sent to the county chief appraiser's office.** The monthly VIT Statements and any VIT payments due are required to be filed by the 10<sup>th</sup> day of each month, reporting the previous month's sales.

**c. How to Report.**

1. Report the following items on the Dealer Motor Vehicle Inventory Declaration form:

- A. Breakdown of sales for prior calendar year (January - December).
- B. Breakdown of sales amounts for prior calendar year (January – December)
- C. Other general information about the retail business – mailing address, name and business location.

2. Report the following items on the Dealer's Motor Vehicle Inventory Tax Statement:

- A. Date of sale,
- B. Model year of motor vehicle,
- C. Make of motor vehicle,
- D. Vehicle identification number,
- E. Purchaser's name,
- F. Type of sale:
  - MV – regular motor vehicle inventory sale,
  - FL – fleet sale – sales of five or more motor vehicles from the dealer's inventory to the same buyer within one calendar year,
  - DL – dealer sales – sales of vehicles to another Texas dealer or a dealer who is legally recognized in another state as a motor vehicle dealer,
  - SS – subsequent sales – dealer-financed sales of motor vehicles that are sold, repossessed and sold again, in the same calendar year. 1The first sale is reported as a motor vehicle inventory sale, with sale of this same vehicle later in the same calendar year classified as a subsequent sale.
- G. Sales price,
- H. Unit property tax value,
- I. Total unit property tax value for each page and for the total report,
- J. Total sales – number of vehicles for each type of sale and by total sales amounts.

**c. Pay VIT Amounts Due.** Multiply the total sales prices of taxable vehicles sold by the tax rate, called the unit property tax factor on the form, to calculate VIT due. Send the original monthly VIT Statement to your county tax assessor-collector, along with the tax payment. Send a copy of your monthly VIT Statement to your county appraisal district.

## **7.6 Penalties.**

**a. MVD Administrative actions.** Dealers who do not file timely annual VIT Declarations or dealers who report the sale of fewer than five vehicles in a calendar year are reported to the MVD by the chief appraiser and the tax assessor-collector offices. The law requires MVD to initiate termination proceedings against any dealer who fails to file a timely annual VIT Declaration, or who reports selling fewer than five vehicles in a calendar year. Further the tax assessor-collector offices and county appraisal districts may file administrative complaints with MVD for failure to timely file monthly VIT Statements. For failure to file VIT Statements and Declarations and pay VIT, administrative actions can range from warning letters to civil penalties of \$500 or more, or license cancellation. Furthermore, dealers who falsify VIT Statements and Declarations are subject to serious penalties for falsification of government records.

**b. Failure to File a Monthly VIT Statement.** In addition to the MVD penalties noted above, a dealer who does not file the monthly VIT Statement in a timely manner commits a misdemeanor punishable by a fine up to \$100 per day until the VIT Statement is filed. A tax lien attaches to the dealer's business personal property to secure payment of the \$100 penalty. A dealer forfeits an additional penalty of \$500 for each month or portion of the months that the statement is not filed. Furthermore, a dealer who fails to remit the taxes due pays a 5 percent late

fee, with another five percent if not paid within 10 days.

**c. Failure to File Annual VIT Declaration.** In addition to the MVD penalties noted above, a dealer who does not file an annual VIT Declaration in a timely manner commits a misdemeanor punishable by a fine up to \$500 per day until the VIT Declaration is filed. A tax lien attaches to the dealer's business personal property to secure payment of the penalty. A dealer forfeits an additional penalty of \$1000 for each month or portion of month that is not filed.

A very good form that explains the VIT procedure is attached to this section as an exhibit starting on page 7-10. Anyone wishing to download a personal copy can find the form on the Comptroller's website at: <http://www.window.state.tx.us/taxinfo/taxforms/14-forms.html>

**7.7 Standard Presumptive Value.** The new Standard Presumptive Value law (SPV) only applies to "private-party" sales. A private-party sale does not involve a licensed motor vehicle dealer. If a licensed motor vehicle dealer sells the used vehicle, tax is due based on the sales price. The county does not have to check the used vehicle's SPV if the seller is a licensed dealer. The selling dealer's signature on the title application is an acceptable record of the sales price. The county tax assessor-collector, at his or her option, may request the dealer's invoice or sales receipt from any purchaser.

**a. The law includes all motor vehicles with a few exceptions.** The new SPV 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.

**b. The law excludes some sales transactions.**

SPV procedures are not used on these types of transactions:

- 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);
- even trade of vehicles, which has a \$5 motor vehicle tax, or
- the gift of a vehicle, which has a \$10 motor vehicle tax.

**c. Certified Appraisals by Dealers.** 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](http://www.window.state.tx.us). Select "Texas Taxes." The Comptroller's office provides this form to licensed motor vehicle dealers and insurance adjusters. A copy of this form is on page 7-8 and further instructions are on the back of the form which appear on page 7-9

**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	Year model	State 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. By signing below, I hereby authorize the Comptroller to provide a copy of this certificate to the state of intended use and registration.

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 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 less than two nor more than five years or a fine of not more than \$1,000, or both.*

sign here ▶	Purchaser	Title	Date

NOTE: THIS CERTIFICATE DOES NOT REQUIRE A TAXPAYER NUMBER TO BE VALID.

This certificate should be furnished to the seller. Do not send the completed certificate to the Comptroller of Public Accounts.

**TEXAS MOTOR VEHICLE SALES TAX RESALE CERTIFICATE**

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 ONLY.

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 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.*

	Purchaser	Title	Date
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This certificate should be furnished to the seller. Do not send the completed certificate to the Comptroller of Public Accounts.

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS



USED MOTOR VEHICLE CERTIFIED APPRAISAL FORM

INSTRUCTIONS

*Any change to this form after completion voids the form in its entirety.*

A licensed motor vehicle dealer or licensed insurance adjuster uses this form exclusively for the purposes of Section 152.0412, Tax Code and 34 T.A.C. § 3.79 concerning Standard Presumptive Value. The form must be filled out in full and be typed or legibly printed after the appraiser views the motor vehicle in person. A dealer may only provide an appraisal for the types of motor vehicles which the dealer is licensed to sell. The purchaser files this form with the county tax assessor-collector at the same time of titling and registering the vehicle. Do not send the completed form to the Comptroller of Public Accounts.

*Under Ch. 559, Government Code, you are entitled to review, request, and correct information a governmental body has 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 county tax assessor-collector where this form is filed.*

<b>PURCHASER INFORMATION</b>			
Name		Phone (Area code and number)	
<input style="width: 90%;" type="text"/>		<input style="width: 80%;" type="text"/>	
Address	City	State	ZIP code
<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>
<b>MOTOR VEHICLE INFORMATION</b>			<b>Odometer Reading</b>
Year	Make	Model	VIN
<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>
<b>APPRAISER INFORMATION</b>			
Motor Vehicle Dealer or Licensed Insurance Adjuster Name		Motor Vehicle Dealer or Licensed Insurance Adjuster Number	
<input style="width: 90%;" type="text"/>		<input style="width: 90%;" type="text"/>	
Address	City	State	ZIP code
<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>	<input style="width: 90%;" type="text"/>
Printed Name of Appraiser		Phone Number	
<input style="width: 90%;" type="text"/>		<input style="width: 90%;" type="text"/>	
<b>APPRAISAL INFORMATION</b>			
Retail Value .....			\$ <input style="width: 80%;" type="text"/>
Explanation for Appraised Retail Value (e.g., identify mechanical, appearance, or other factors that affect the appraised retail value)			
<input style="width: 95%;" type="text"/>			
<input style="width: 95%;" type="text"/>			
<input style="width: 95%;" type="text"/>			
Appraisal Fee .....			\$ <input style="width: 80%;" type="text"/>
<i>See the other side of this form for details on appraising and fees.</i>			
<b>SIGNATURE</b>			
I hereby certify that I have seen this vehicle and all the statements in this document are true and correct to the best of my knowledge and belief.			
Signature of Appraiser		Date of Appraisal	
<input style="width: 90%;" type="text"/>		<input style="width: 90%;" type="text"/>	
sign here →			

***If you make a false statement on this document, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.***

## 14-128 (Back) Motor Vehicle Tax: Appraising Used Motor Vehicles in Private-Party Sales by Licensed Motor Vehicle Dealers and Insurance Adjusters

Effective October 1, 2006, Tax Code Section 152.0412 allows a purchaser of a used motor vehicle in a private-party sale to get an appraisal to establish the amount of motor vehicle sales tax due. A private-party sale is one that does not involve a licensed motor vehicle dealer. This appraisal process does not involve dealer sales.

### Eligible appraisers

Licensed Texas motor vehicle dealers can appraise the categories of motor vehicles that they are licensed to sell. That is, automobile dealers can appraise automobiles, motorcycle dealers can appraise motorcycles and trailer dealers can appraise trailers. Licensed dealers include new and used vehicle dealers, wholesale dealers, wholesale auction dealers, motorcycle dealers, trailer dealers and any other dealers licensed by Transportation Code, Chapter 503, Subchapter B, but not a drive-a-way operator.

An insurance adjuster can appraise any type of used motor vehicle.

### Appraisal fee

Under the new law, the Comptroller sets the fee for a certified appraisal by a licensed Texas motor vehicle dealer. Comptroller Rule 3.79 (34 T.A.C. § 3.79) states that the fee can be no less than \$100 and no more than \$300, except for appraisals of motorcycles, house trailers, travel trailers and motor homes.

A licensed motorcycle dealer can charge no less than \$40 and no more than \$300 for a certified appraisal of a motorcycle. For a certified appraisal of a house trailer, travel trailer or motor home, the fee can be no less than \$100 and no more than \$500.

The law allows that licensed insurance adjusters set their own fees for a certified appraisal.

### Appraisal form

The appraiser must use Comptroller form 14-128, *Used Motor Vehicle Certified Appraisal Form*, on the other side of this page. The form is available online at [www.window.state.tx.us](http://www.window.state.tx.us) under "Texas Taxes." You can also call the Comptroller's toll-free number 1-800-252-1382 (in Austin, 463-4600), or write the Comptroller of Public Accounts, P. O. Box 13538, Austin, Texas 78711-3528.

### Appraisal standards

The appraiser must view the motor vehicle in person and provide all the information requested on the appraisal form. The appraiser should identify mechanical, appearance or other factors that affect that retail value.

The form must be filled out in full. If an item does not apply, note "not applicable." Since any change to the appraisal form after completion voids the form in its entirety, please refrain from using crossed-out information.

The appraiser should keep a copy of the appraisal.

### Questions

If you have questions or need more information, contact the Comptroller's office toll-free at 1-800-252-1382 or e-mail [tax.help@cpa.state.tx.us](mailto:tax.help@cpa.state.tx.us).

Publication 96-1219, *Motor Vehicle Tax: Standard Presumptive Value and Calculating Tax Due on a Used Vehicle Purchase*, explains the law and its provisions and is available on the Comptroller's *Window on State Government* at [www.window.state.tx.us](http://www.window.state.tx.us).



**Susan Combs**  
Texas Comptroller of Public Accounts

# Motor Vehicle Dealer's Special Inventory

## Instructions for Filing Forms and Paying Property Taxes



October 2007

# Motor Vehicle Dealer's Special Inventory

## Instructions for Filing Forms and Paying Property Taxes

For property tax purposes, Texas law requires that a motor vehicle dealer's inventory is appraised based on the total sales of motor vehicles in the prior year. Dealers must file with the county appraisal district a *Dealer's Motor Vehicle Inventory Declaration* form listing the total value of the inventory sold in the prior year. Also, the dealer must file with the county tax office a monthly form — *Dealer's Motor Vehicle Inventory Tax Statement* — listing the motor vehicles sold, and prepay their property taxes for each vehicle. Instructions for filing both forms follow.

Texas law permits the Comptroller's office to act only as an advisory agency with regard to property taxes. The Comptroller helps property owners and tax officials interpret the property tax laws. Texas law also requires the Comptroller to adopt forms for filing the motor vehicle dealer's inventory.

### Steps to calculate, report and pay dealer's inventory property taxes:

#### Step 1 – A dealer files the *Dealer Motor Vehicle Inventory Declaration* form.

- file one declaration per year;
- file each January, between January 1 and 31;
- file with the county appraisal district and send a copy to the county tax office; and
- if you are a new dealer, file a declaration form within 30 days of the issuance of the dealer's general distinguishing number (GDN). A chief appraiser has the discretion to designate a different date.

#### Step 2 – A dealer reports current year's inventory market value.

Complete the following items on the *Dealer's Motor Vehicle Inventory Declaration* form:

- breakdown of sales for prior year (January – December);
- breakdown of sales amounts for prior year (January – December); and
- other general information about the retail business — mailing address, name and business location.

Divide sales amounts for inventory sales by 12 for current year's market value:

- the current year's tax bills received in October will be based on this market value and the current year's tax rates; and
- the inventory's market value is not the value of the dealer's motor vehicles on January 1 but an average of the regular monthly inventory sales from the preceding year.

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## Penalties

The chief appraiser of the county appraisal district must report to the Texas Department of Transportation any dealer that sells fewer than five vehicles in a prior year. The Department will begin dealer license termination proceedings.

A dealer who does not file a declaration form by February 1 of each year commits a misdemeanor punishable by a fine of up to \$500 per day until filed. A tax lien can be attached to the dealer's business personal property to secure payment of the penalty. A dealer forfeits an additional penalty of \$1,000 for each month or portion of month that it is not filed.

### Step 3 – A dealer files the *Dealer's Motor Vehicle Inventory Tax Statement*:

- file 12 statements per year;
- file each month by the 10th of the following month. For example, file January inventory tax statement by February 10th.
- file with the county tax office, including a check for prepayment of taxes. Send a copy of the form to the county appraisal district. If you do not sell a motor vehicle during the month, you must file a tax statement indicating no sales; and
- if a new dealer, file each month, but do not send a prepayment of taxes.

### Step 4 – A dealer makes a prepayment of taxes.

Calculate the unit property tax factor.

- Find the aggregate tax rate by adding the preceding year's tax rates for each taxing unit that taxes the retail business. Look either at the preceding year's tax bills or call the county tax collector. Each property is taxed by a county and by a school district. It also may be taxed by a city and special districts (such as a junior college and/or hospital district, depending on where the business is located).

#### Example of 2004 tax rates:

County tax rate	=	\$0.40	
School tax rate	=	\$1.40	
City tax rate	=	\$0.60	
Special district tax rate	=	\$0.05	
Aggregate rate	=	\$2.45	per \$100 of value

- Divide the aggregate tax rate by 12 for a tax rate per month.  
**Example:**  $\$2.45/12 = \$0.20417$  per \$100 of value.
- Divide the aggregate tax rate per month by \$100 for a tax rate per \$1.00 of sales price.  
**Example:**  $\$0.20417/\$100 = \$0.0020417$  rate per \$1.00 (unit property tax factor).
- Change the unit property tax factor each January to use the preceding year's tax rates.  
**Example:** Use the 2004 adopted rates to determine the unit property tax factor for January through December 2005.

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**Report and pay the unit property tax payment.**

- Multiply the sales price of the motor vehicle by the unit property tax factor. Subtract the motor vehicle's manufacturer's rebate from the sales price, but do not subtract the trade-in.  
**Example:** \$20,000 x \$0.0020417 = \$40.83 in tax prepayment.
- Apply unit property tax factor to each motor vehicle sold in a month and report to the county tax office, along with the tax prepayment. Send a copy of the monthly tax statement to the county appraisal district. Remember, it is considered a sale, even if the motor vehicle is taken out of Texas.

**Step 5 – A dealer files a report of inventory sales monthly.**

**Report the following on the *Dealer's Motor Vehicle Inventory Tax Statement*:**

- date of sale;
- model year of motor vehicle;
- make of motor vehicle;
- vehicle identification number;
- purchaser's name;
- type of sale:
  - A. MV — regular motor vehicle inventory sale — a motor vehicle is a fully self-propelled vehicle with at least two wheels which has the primary purpose of transporting people or property and includes a towable recreational vehicle. Motor vehicle does not include equipment or machinery designed and intended for a specific work-related purpose other than transporting people or property;
  - B. FL — fleet sale — sales of five or more motor vehicles from the dealer's inventory to the same buyer within one calendar year;
  - C. DL — dealer sales — sales of vehicles to another Texas dealer or a dealer who is legally recognized in another state as a motor vehicle dealer;
  - D. SS — subsequent sales — dealer-financed sales of motor vehicles that, at the time of sale, have dealer financing from the inventory in this same calendar year. The first sale is reported as a motor vehicle inventory sale, with sale of this same vehicle later in the year classified as a subsequent sale;
- sales price — is set forth on the application for Title, or would appear if that form was used;
- unit property tax value;
- total unit property tax value for each page and for the total report; and
- total sales — number of vehicles for each type of sale and by total sales amounts.

The chief appraiser may examine the books and records of the dealer by personally delivering a written request to the custodian of the records at the dealer's location. The request must be delivered at least 15 days prior to the date of the request to view the records and must contain a statement notifying the dealer that he or she may seek judicial relief from compliance with the request.

File the report and payment by the 10th day of the following month.

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**Step 6 – On behalf of the dealer, the county tax collector pays the annual inventory taxes from the dealer’s escrow account and bills the dealer for any additional amount due.**

Receives annual property tax bills, usually in October and November:

- taxing units send a copy of the dealer motor vehicle inventory tax bill to the county tax assessor-collector;
- dealer pays all other tax bills to the taxing units;
- county tax assessor-collector pays the inventory tax bill from the escrow account — usually in early January after the dealer’s December payment — to the taxing units.

Receive tax receipt for payment and any additional tax bill from county tax assessor-collector for any deficiency in the escrow account:

- dealer must pay the deficiency by January 31 to avoid delinquent penalty and interest;
- if taxes become delinquent, dealer pays each taxing unit, plus penalty and interest;
- taxing units receive any excess taxes that remain in escrow account;
- the dealer may not withdraw funds from the escrow account; and
- the escrow account begins with a zero balance for the next tax year’s prepayments.

## Penalties

A dealer who does not file the monthly tax statement by the 10th day of the following month commits a misdemeanor punishable by a fine up to \$100 per day until filed. A tax lien can be attached to the dealer’s business personal property to secure payment of the \$100 penalty. A dealer forfeits an additional penalty of \$500 for each month or portion of month that it is not filed. Furthermore, a dealer who fails to remit the taxes due pays a 5 percent late payment, with another 5 percent due if not paid within 10 days.

## Questions

- Call the local county appraisal district for specific questions on the declaration form;
- call the local county tax office for specific questions on the monthly tax statement form; and
- call the Comptroller’s Property Tax Division Information Services Team at (800) 252-9121 for general questions on the declaration or monthly tax statement forms. You may also contact us by e-mail at [ptd@cpa.state.tx.us](mailto:ptd@cpa.state.tx.us).

## Remember

A dealer must list the property tax separately because it cannot be included in the sales price and sales tax assessed against it.

Motor vehicle dealer’s special inventory laws are found in Property Tax Code Sections 23.121 and 23.122. You may view these sections on the Comptroller’s Web site, Window on State Government at <http://www.window.state.tx.us/taxinfo/proptax/tc04/ch23b.htm>.

**DEALER'S MOTOR VEHICLE INVENTORY DECLARATION/CONFIDENTIAL**

Send original to: Appraisal District name and address	YEAR
	Phone (area code and number)
Send copy to: County Tax Office name and address	Phone (area code and number)

**INSTRUCTIONS:** If you own an inventory subject to the provisions of Sec. 23.121, Tax Code, you must file this dealer's motor vehicle inventory declaration with the chief appraiser and a copy with the county tax assessor-collector not later than February 1 of each year. If you were not in business on January 1, you must file this statement not later than 30 days after starting business. Failure to file this form is a misdemeanor offense punishable by a fine not to exceed \$500. Each day during which you fail to comply is a separate offense.  
**SEE BACK OF FORM FOR MORE INFORMATION ON FILING AND PENALTIES.**

<b>Step 1:</b> Owner's name and address	Owner's name		
	Current mailing address (number and street)		
	City, town or post office, state, ZIP code		Phone (area code and number)
	Person completing application		Title
<b>Step 2:</b> Required information about the business	Name of each business at one location (attach additional pages if necessary)		
	Address of this location (street, number, city, state and ZIP code + 4) (attach additional pages if necessary)		
	Owner's general distinguishing number(s) (GDN) issued by the Texas Department of Transportation (attach additional pages if necessary)		
<b>Step 3:</b> Information about the business	Give appraisal district account number if available, or attach tax bill or copy of appraisal or tax office correspondence concerning this account (attach additional pages if necessary).		<b>Step 4:</b> Ownership statement
	Starting date of business, if not in business on January 1st of this year.		
<b>Step 5:</b> Breakdown of sales and sales amounts	Breakdown of sales (number of units sold) for the previous 12-month period corresponding to the prior tax year. If you were not in business for the entire 12-month period, report the sales for the months you were in business.		
	Net motor vehicle inventory	Fleet sales	Dealer sales
	\$	\$	\$
	Breakdown of sales amounts for the previous 12-month period corresponding to the prior tax year. If you were not in business for the entire 12-month period, report the sales for the months you were in business.		
<b>Step 6:</b> Market value of your motor vehicle inventory	Net motor vehicle inventory	Fleet sales	Dealer sales
	\$	\$	\$
	State the market value of your motor vehicle inventory for the current tax year, as computed under Sec. 23.121, Tax Code (total annual sales from the dealer's motor vehicle inventory for the previous 12-month period corresponding to the prior tax year divided by 12 equals market value). If you were not in business for the entire 12-month period, report the number of months you were in business and the total number of sales for those months. The chief appraiser will determine your inventory's market value.		
	Dealer's Net Motor Vehicle Inventory Sales for Prior Year	Market Value for Current Tax Year	
<b>Step 7:</b> Sign the form	Authorized signature		Date
	 <b>If you make a false statement on this application, you could be found guilty of a Class A misdemeanor or a state jail felony under Texas Penal Code Section 37.10.</b>		

INSTRUCTIONS FOR COMPLETING

**Dealer's Motor Vehicle Inventory Declaration**

**Filing deadlines:** You must file this declaration not later than February 1 each year. If you were not in business for the entire year, you must file this declaration not later than 30 days after starting your business. You are presumed to have started business on the date you were issued a dealer's general distinguishing number. The chief appraiser, however, has discretion to designate a different starting date. Be sure to keep a completed copy of this declaration for your files and a blank copy of the form for next year's filing.

**Filing places:** You must file the original completed declaration with the county appraisal district's chief appraiser. You must file a copy of the original with the county tax assessor-collector. The addresses and phone numbers for both offices are at the top of the form.

**Filing penalties:** Failure to file this form is a misdemeanor offense punishable by a fine not to exceed \$500. Each day that you fail to comply is a separate offense. In addition, a tax lien attaches to your business personal property to secure the penalty's payment. The district attorney, criminal district attorney, county attorney, chief appraiser, or person designated by the chief appraiser shall collect the penalty, with action in the county in which you maintain your principal place of business or residence. You also will forfeit a penalty of \$1,000 for each month or part of a month in which this declaration is not filed after it is due.

**GDN Termination:** If you report fewer than five sales of motor vehicles, the chief appraiser must report this fact to the Texas Department of Transportation (TxDOT). TxDOT has authority to view this form in auditing dealer license compliance. TxDOT must initiate termination proceedings.

**Review of records:** The chief appraiser may examine your books and records for (1) the document issued by Texas Department of Transportation for your general distinguishing number; (2) documents to determine if this declaration applies to you; and (3) sales records to check information on this declaration. To examine your records, the chief appraiser must deliver personally a written request to your records custodian. You have at least 15 days to respond to the request, or you may seek court action for relief from complying with the request. Failure to comply with the request is a misdemeanor punishable by a fine not to exceed \$500. Each day that you fail to comply is a separate violation.

<b>Step 1:</b> Owner's name and address. Give the corporate, sole proprietorship or partnership's name, including mailing address and telephone number of the actual business location required by the inventory declaration (not of the owner).
<b>Step 2:</b> Required information about the business. Give the name of the business if different from the corporation or individual's name. The address here is the actual physical location of the business.
<b>Step 3:</b> Information about the business. Include your business' account number from the appraisal district's notice of appraised value. Give the date your business opened if not in business January 1 of this year.
<b>Step 4:</b> Ownership statement. Give the owner's name.
<b>Step 5:</b> Breakdown of sales and sales amounts. Complete the boxes on number of sales and sales amounts for the preceding year. The top row of boxes is the number of units sold in each category. The bottom row of boxes is the dollar amount sold in each category.  The categories include:  <b>Motor vehicle inventory</b> – sales of motor vehicles. A motor vehicle is a fully self-propelled vehicle with at least two wheels which has the primary purpose of transporting people or property and includes a towable recreational vehicle. Motor vehicle does not include equipment or machinery designed and intended for a specific work-related purpose other than transporting people or property.  <b>Fleet sales</b> – motor vehicles included in the sale of five or more motor vehicles from your inventory to the same buyer within one calendar year.  <b>Dealer sales</b> – sales of vehicles to another Texas dealer or a dealer who is legally recognized in another state as a motor vehicle dealer.  <b>Subsequent sales</b> – dealer-financed sales of motor vehicles that, at the time of sale, have dealer financing from your motor vehicle inventory in this same calendar year. The first sale of a dealer-financed vehicle is reported as a motor vehicle inventory sale, with sale of this same vehicle later in the year classified as a subsequent sale.  <b>Net motor vehicle inventory</b> – motor vehicle inventory less fleet sales, dealer sales and subsequent sales.
<b>Step 6:</b> Market value of your motor vehicle inventory. Enter the dollar sales amount in the net motor vehicle inventory breakdown (see Step 5, the first box in the second row) and divide by 12 to yield your market value for this tax year. If you were not in business for the entire preceding year, the chief appraiser will determine your inventory's market value using the sales information that you report in Step 5.
<b>Step 7:</b> Sign the form. Sign and enter the date if you are the person completing this declaration.



## Instructions for Dealer's Motor Vehicle Inventory Tax Statement

If you are an owner of an inventory subject to Sec. 23.121, Tax Code, you must file this dealer's motor vehicle inventory tax statement as required by Sec. 23.122.

**Filing deadlines:** You must file this statement on or before the 10th day of each month. If you were not in business for the entire year, you must file this statement each month after your business opens, but you do not include any tax payment until the beginning of the next calendar year. You are presumed to have started business on the date you were issued a dealer's general distinguishing number. The chief appraiser, however, has sole discretion to designate a different starting date. However, if your dealership was the purchaser of an existing dealership and you have a contract with the prior owner to pay the current year motor vehicle inventory taxes owed, then you must notify the chief appraiser and the county tax assessor-collector of this contract and continue to pay the monthly tax payment. Be sure to keep a completed copy of the statement for your files and a blank copy of the form for each month's filing.

**Filing places:** You must file the original statement with your monthly tax payment with the county tax assessor-collector. You must file a copy of the original completed statement with the county appraisal district's chief appraiser. The addresses and phone numbers for both offices are at the top of the form. Texas Department of Transportation has authority to view this form in auditing dealer license compliance.

**Filing penalties:** Late filing incurs a penalty of 5 percent of the amount due. If the amount is not paid within 10 days after the due date, the penalty increases for an additional penalty of 5 percent of the amount due. Failure to file this form is a misdemeanor offense punishable by a fine not to exceed \$100. Each day that you fail to comply is a separate offense. In addition, a tax lien attaches to your business personal property to secure the penalty's payment. The district attorney, criminal district attorney, county attorney, collector, or person designated by the collector shall collect the penalty, with action in the county in which you maintain your principal place of business or residence. You also will forfeit a penalty of \$500 for each month or part of a month in which this statement is not filed after it is due.

**Annual property tax bill:** You will receive a separate tax bill(s) for your motor vehicle inventory for each taxing unit that taxes your property, usually in October. The county tax assessor-collector also will receive a copy of the tax bill(s) and will pay each taxing unit from your escrow account. If your escrow account is not sufficient to pay the taxes owed, the county tax assessor-collector will send you a tax receipt for the partial payment and a tax bill for the amount of the deficiency. You must send to the county tax assessor-collector the balance of total tax owed. You may not withdraw funds from your escrow account.

**Step 1: Owner's name and address.** Give the corporate, sole proprietorship or partnership's name, including mailing address and telephone number of the actual business location required by the monthly statement (not of the owner). Give the person's name and title that completed the statement.

**Step 2: Information about the business.** Give the address of the actual physical location of the business. Include your business' name and the account number from the appraisal district's notices.

**Step 3: Information on each vehicle sold during the reporting month.** Complete the information on each motor vehicle sold, including the date of sale, model year, model make, vehicle identification number, purchaser's name, type of sale, sales price and unit property tax. The footnotes include:

- 1 **Type of Sale:** Place one of the following codes by each sale reported:
  - MV - motor vehicle inventory** - sales of motor vehicles. A motor vehicle is a fully self-propelled vehicle with at least two wheels which has the primary purpose of transporting people or property and includes a towable recreational vehicle. Motor vehicle does not include equipment or machinery designed and intended for a specific work-related purpose other than transporting people or property. Only its type of sale has a unit property tax value (see below).
  - FL - fleet sales** - motor vehicles included in the sale of five or more motor vehicles from your inventory to the same buyer within one calendar year.
  - DL - dealer sales** - sales of vehicles to another Texas dealer or a dealer who is legally recognized in another state as a motor vehicle dealer.
  - SS - subsequent sales** - dealer-financed sales of motor vehicles that, at the time of sale, have dealer financing from your motor vehicle inventory in this same calendar year. The first sale of a dealer-financed vehicle is reported as a motor vehicle inventory sale, with sale of this same vehicle later in the year classified as a subsequent sale.
  - 2 **Sales Price:** The price as set forth on the application for Certificate of Title, or would appear if that form was used.
  - 3 **Unit Property Tax:** To compute, multiply the sales price by the unit property tax factor. For fleet, dealer and subsequent sales that are not included in the net motor vehicle inventory, the unit property tax is \$0-. The unit property tax factor is the county aggregate tax rate divided by 12 and then by \$100. Calculate your aggregate tax rate by adding the property tax rates for all taxing units in which the inventory is located. Use the property tax rates for the year preceding the year in which the vehicle is sold. If the county aggregate tax rate is expressed in dollars per \$100 of valuation, divide by \$100 and then divide by 12. Dividing the aggregate rate by 12 yields a monthly tax rate and by \$100 to a rate per \$1 of sales price.
  - 4 **Total Unit Property Tax for This Month:** Enter only on last page of monthly statement.

**Step 4: Total sales.** Provide totals on last page of monthly statement of the number of units and the sales amounts for vehicles sold in each category.

**Step 5: Sign the form.** Sign and enter the date if you are the person completing this statement.