

## **BILL ANALYSIS**

H.B. 2627  
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Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

In Texas, motor vehicle dealers, lessors, and rental companies may take a fair market value deduction when purchasing a replacement vehicle. To take the fair market value deduction, the taxpayer must obtain a certificate of title for the replacement vehicle, use the replacement vehicle for business or personal use, and offer the retired vehicle for sale. While the long-standing policy of the comptroller of public accounts is for both the retired and replacement vehicles to be titled and used in Texas, state law does not explicitly require Texas title and use. H.B. 2627 seeks to remedy this situation by clarifying that the fair market value deduction applies when both the retired and replacement vehicles are titled and used in Texas.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 2627 amends the Tax Code to clarify that the fair market value deduction from the taxes imposed on the sale, rental, or use of motor vehicles that is available for a replacement vehicle obtained by a person in the business of selling, renting, or leasing motor vehicles is applicable only with respect to vehicles titled and used in Texas.

### **EFFECTIVE DATE**

On passage, or, if the bill does not receive the necessary vote, September 1, 2021.