

BILL ANALYSIS

Senate Research Center
88R819 DRS-F

S.B. 138
By: West
Local Government
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

This bill clarifies that wholesale dealers must be classified by the Texas Department of Motor Vehicles (TxDMV) in order to qualify for reassessment as a Special Inventory Tax (SIT), rather than by Central Appraisal Districts (CADs).

Currently, the Texas Tax Code states that CADs determine when dealerships should be considered wholesale for annual taxation to be reassessed as a SIT rather than just Business Personal Property (BPP). The determination by CADs sometimes conflicts with how TxDMV has classified the dealership. This can lead to confusion when the dealership files its taxes.

Dealerships are unsure whether to pay SIT or the BPP tax when TxDMV classifies them as Retail, but the CADs classify them as Wholesale. Timing can be relevant as well since the CAD determination is made mid-year, so the tax office must refund all SIT payments to the dealership, who then must refund the money back to the purchaser. Additionally, the classification could potentially alter back and forth between Wholesale and Retail due to miscommunication between a CAD and TxDMV.

S.B. 138 changes the text of Texas Tax Code Section 23.121(d) to clarify that for wholesale dealers, in order to qualify for SIT appraisal according to Section 23.12 of the Tax Code, the dealer must have a wholesale motor vehicle dealer general distinguishing number issued by TxDMV. The dealer cannot hold any other category of dealer general distinguishing number issued by the TxDMV.

As proposed, S.B. 138 amends current law relating to the effect of the category of the motor vehicle dealer general distinguishing number issued by the Texas Department of Motor Vehicles and held by a person on the appraisal for ad valorem tax purposes of the person's motor vehicle inventory.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 23.121(d), Tax Code, as follows:

(d) Requires the chief appraiser, notwithstanding any other provision of Section 23.121 (Dealer's Motor Vehicle Inventory; Value), to appraise a dealer's motor vehicle inventory as provided by Section 23.12 (Inventory) of this code if the dealer holds a wholesale motor vehicle dealer general distinguishing number issued by the Texas Department of Motor Vehicles (TxDMV) under Chapter 503 (Dealer's and Manufacturer's Vehicle License Plates), Transportation Code, and does not hold any other category of dealer general distinguishing number issued by TxDMV. Deletes existing text requiring the chief appraiser, in the case of a dealer whose sales from dealer's motor vehicle inventory are made predominantly to dealers, to appraise the dealer's motor vehicle inventory as provided by Section 23.12 of this code.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: January 1, 2024.