

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

March 28, 2007

TO: Honorable Jim Keffer, Chair, House Committee on Ways & Means

FROM: John S. O'Brien, Director, Legislative Budget Board

IN RE: HB3461 by Paxton (Relating to the collection of motor vehicle sales taxes on seller-financed sales by dealers.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3461, As Introduced: a negative impact of (\$3,907,000) through the biennium ending August 31, 2009.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Six-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2007	\$0
2008	(\$1,915,000)
2009	(\$1,992,000)
2010	(\$2,072,000)
2011	(\$2,155,000)
2012	(\$2,241,000)

All Funds, Six-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from GENERAL REVENUE FUND 1
2007	\$0
2008	(\$1,915,000)
2009	(\$1,992,000)
2010	(\$2,072,000)
2011	(\$2,155,000)
2012	(\$2,241,000)

Fiscal Analysis

The bill would amend the Tax Code relating to the collection of motor vehicle sales taxes on seller-financed sales by dealers.

The bill would amend Chapter 152 of the Tax Code to exempt certain motor vehicle sales by dealers from the motor vehicle sales tax due when a dealer factored, assigned, or otherwise transferred the right to receive payments on a seller-financed sale. The law requiring payment of the balance of the motor vehicle sales tax due on the transaction would not apply to a dealer who sold a purchaser's account to a person in which at least 80 percent of the ownership was identical to the ownership of the dealer or granted a security interest in a purchaser's account, but retained custody and control of an

account and the right to receive payments in the absence of a default under the security agreement.

The change in the law would not affect taxes imposed before the effective date of the bill, and the law in effect before the effective date of the bill would be continued in effect for the purposes of the liability for and collection of those taxes.

The bill would take effect July 1, 2007, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2007.

Methodology

Under current law, if a dealer factors, assigns, or otherwise transfers the right to receive payments to another person, all unpaid tax is due on the total consideration not reported at the time the agreement is factored, assigned, or otherwise transferred. The bill would have no effect if the purchaser continued to make all payments under the contract. In the event, however, that such an agreement were transferred and subsequently defaulted on, this bill's provisions would produce a fiscal loss for those transfers meeting the requirements specified in the bill.

Diesel trucks weighing over 14,000 pounds are subject to the Texas Emissions Reduction Plan surcharge of 2.5 percent of total consideration paid for a vehicle model year 1996 or earlier, or 1 percent for a model 1997 or later. The effect on seller-financed sales would be insignificant.

It was assumed that there would be no fiscal impact in fiscal 2007 for the July 1, 2007 effective date because no defaults subject to the provisions of this bill would likely occur before August 31, 2007.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, SD, CT