

BILL ANALYSIS

C.S.H.B. 4516
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Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Under current law, sales and use taxes imposed on off-road vehicles are easy to avoid and difficult to enforce. Dealers in Oklahoma, Louisiana, and other border states are benefiting by advertising that Texans can avoid Texas taxes by purchasing outside off-road vehicles in one of those states.

Consequently, Texas dealers face unfair competition, and the state loses tax revenue. This loss of revenue to the state is potentially substantial, as new off-road vehicles have sales prices ranging from approximately \$4,000 to more than \$5,000, and each of these vehicles may be resold several times during their operating lifetimes. This improper and unfair tax avoidance would be mitigated if off-road vehicles were subject to the motor vehicle sales tax of Chapter 152 of the Tax Code rather than the general sales tax.

C.S.H.B. 4516 includes an off-road vehicle that is not required to be registered in the definition of "motor vehicle" under the Tax Code and adds other pertinent definitions. The bill establishes certain certificate of title requirements for off-road vehicles.

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

C.S.H.B. 4516 amends the Tax Code to include an off-road vehicle that is not required to be registered in the definition of "motor vehicle." The bill defines "off-road vehicle" to mean an all-terrain vehicle, a recreational off-highway vehicle, or a motorcycle designed by the manufacturer for off-highway use. The bill defines "recreational off-highway vehicle" to mean a vehicle that is equipped with a non-straddle seat for the use of the operator and a passenger, if the vehicle is designed by the manufacturer to transport a passenger; designed to propel itself with four or more tires in contact with the ground; designed by the manufacturer for off-highway use by the operator only; and not designed by the manufacturer primarily for farming or lawn care.

C.S.H.B. 4516 amends the Transportation Code to prohibit a person who purchases, imports, or otherwise acquires an off-road vehicle that is not required to be registered from operating or permitting the operation of the vehicle in Texas, or from selling or disposing of a vehicle in Texas, until the person obtains a certificate of title for the vehicle.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.H.B. 4516 differs from the original by adding the condition that an off-road vehicle not require registration for the vehicle to be included in the definition of "motor vehicle." The substitute differs from the original by adding the definitions of the term "off-road vehicle" and "recreational off-highway vehicle."

C.S.H.B. 4516 adds a provision not in the original prohibiting a person who purchases, imports, or otherwise acquires an off-road vehicle that does not require registration from operating or permitting the operation of the vehicle in Texas, or from selling or disposing of a vehicle in Texas, until the person obtains a certificate of title for the vehicle.