

## **BILL ANALYSIS**

Senate Research Center

S.B. 586  
By: Springer  
Transportation  
5/24/2021  
Enrolled

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

#### Background & Purpose

This legislation is cleanup for H.B. 1543 (86R) by Rep. Springer, recent use tax legislation involving off-highway vehicles (OHVs, commonly known as all-terrain vehicles or ATVs). The bill corrects a drafting error and allows the original legislation to have its full intended effect.

This "tweak" legislation will close the current "distributor loophole" in the law by including OHV distributors (not just OHV manufacturers) in the statute's reporting requirement.

For example, the Texas Department of Motor Vehicles (TxDMV) has explained that manufacturers located outside of the country are not required to be licensed by TxDMV. For example, H.B. 1543, as enacted, does not require the Comptroller of Public Accounts of the State of Texas (comptroller) to gather information from any Honda entity since there is no Honda entity licensed as a manufacturer in Texas.

Moreover, the comptroller's office learned that depending on the manufacturer, sometimes OHV distributors, not OHV manufacturers, possess the needed sales/warranty information to collect the proper sales tax on OHVs.

Therefore cleanup legislation is needed to direct the comptroller to contact all licensed OHV manufacturers AND distributors to request the sales information. The legislation fixes the "distributor loophole" in the current law by requiring reports from manufacturers AND distributors.

S.B. 586 amends current law relating to the filing of certain reports by distributors of certain off-highway vehicles purchased outside this state and provides civil penalties.

### **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 the heading to Subchapter I-2, Chapter 151, Tax Code, to read as follows:

#### **SUBCHAPTER I-2. REPORTS BY MANUFACTURERS AND DISTRIBUTORS OF CERTAIN OFF-HIGHWAY VEHICLES PURCHASED OUTSIDE THIS STATE**

SECTION 2. Amends Section 151.481, Tax Code, to define "distributor" in Subchapter I-2 and to make a nonsubstantive change.

SECTION 3. Amends the heading to Section 151.482, Tax Code, to read as follows:

#### **Sec. 151.482. REPORTS BY MANUFACTURERS AND DISTRIBUTORS.**

SECTION 4. Amends Section 151.482(a), Tax Code, to include a distributor among certain entities required by the Comptroller of Public Accounts of the State of Texas (comptroller) to file a report with the comptroller not later than March 1 of each year listing each warranty issued by the distributor for certain off-highway vehicles.

SECTION 5. Amends Section 151.485, Tax Code, to make conforming changes.

SECTION 6. Amends Section 151.486, Tax Code, to make conforming changes.

SECTION 7. Amends Section 151.487, Tax Code, to make a conforming change.

SECTION 8. Requires a distributor, not later than March 1, 2022, to submit the first report required by Section 151.482, Tax Code, as amended by this Act.

SECTION 9. Effective date: September 1, 2021.