

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**March 27, 2021**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB2415** by Meyer (Relating to the collection, remittance, and administration of certain taxes on motor vehicles rented through a marketplace rental provider; imposing a penalty.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2415, As Introduced : a positive impact of \$61,130,000 through the biennium ending August 31, 2023.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2022	\$25,190,000
2023	\$35,940,000
2024	\$60,410,000
2025	\$62,210,000
2026	\$64,060,000

**All Funds, Five-Year Impact:**

<i>Fiscal Year</i>	<b>Probable Revenue Gain from General Revenue Fund 1</b>
2022	\$25,190,000
2023	\$35,940,000
2024	\$60,410,000
2025	\$62,210,000
2026	\$64,060,000

**Fiscal Analysis**

The bill would amend the Local Government and Tax Codes relating to the collection, remittance, and administration of certain taxes on motor vehicles rented through a marketplace rental provider.

The bill would amend Chapter 334, Local Government Code, regarding sports and community venue short-term motor vehicle rental tax, to require a marketplace rental provider to collect the tax for the benefit of a municipality or county that imposes tax under the subchapter.

The bill would amend Chapter 152 of the Tax Code to require a marketplace rental provider to collect, report, and pay the state motor vehicle rental tax to the Comptroller.

"Marketplace rental provider" would be defined as a person who operates any type of marketplace, including a

store with a physical location, an Internet website, a software or mobile application, or a catalog, by which the owner of a motor vehicle lists, markets, or advertises the motor vehicle for rental by others for consideration in this state; facilitates the rental of the owner's motor vehicle by another person by communicating between the owner and renter regarding the terms of agreement; and directly or indirectly collects or processes the receipts or rental charges paid by the person renting the motor vehicle for the owner of the motor vehicle.

Amendments of both the Local Government Code and the Tax Code would provide that a marketplace rental provider would be required to certify to the owner of a motor vehicle rented through the marketplace that the applicable tax has been collected, reported, and paid to the municipality or county and the Comptroller by the marketplace provider, and an owner who in good faith accepts such certification would not be required to collect, report, or pay the tax. However, the owner of a rental motor vehicle could elect to report and pay the taxes as applicable to the municipality or county and the Comptroller, in which case the marketplace rental provider would forward the tax collected by the provider to the owner.

The bill would take effect October 1, 2021.

### **Methodology**

The bill would impose the gross rental receipts tax on vehicles rented through a marketplace rental provider in the same manner vehicle rentals are currently taxed under Chapter 152 of the Tax Code. The bill would also allow owners of those vehicles to credit any motor vehicle sales or use tax paid for the vehicle to be used as a credit against gross rental receipts tax owed if they elect to do so.

Information regarding the size of the national peer-to-peer car rental market was used and apportioned to Texas to calculate the amount of rental tax that would be generated under the provisions of the bill. That amount was then reduced by the projected credits taken by owners of vehicles rented through marketplace providers, compliance rate and the timely filer discount provided by Chapter 151, and the effective date of the bill. Credit claims are anticipated to be larger in the near term as owners of vehicles currently used as peer-to-peer seek credits for motor vehicle sales tax already paid.

### **Local Government Impact**

The Comptroller does not have information regarding which municipalities or counties actively impose a short-term motor vehicle sales tax under Chapter 334 of the Local Government Code. Therefore the revenue gain to those municipalities and counties cannot be estimated at this time.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, KK, SD