

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

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

**March 26, 2021**

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

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

**IN RE: HB2627** by Thierry (Relating to the clarification of certain provisions regarding taxes imposed on the sale, rental, and use of motor vehicles.), **As Introduced**

<b>No fiscal implication to the State is anticipated.</b>
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The bill would amend Chapter 152, of the Tax Code to update and clarify statute regarding sales, rental, and use taxes on motor vehicles.

The bill would amend Section 152.001 by defining "nonprofit" as a nonprofit corporation that is governed by Chapter 22, Business Organizations Code.

The bill would amend Section 152.002(c) by clarifying the fair market value deduction of a replaced motor vehicle may only be taken if both the retired and replacement vehicles are titled in Texas and used for business or personal purposes in the state.

Current law allows motor vehicle dealers, lessors, and rental companies to take a fair market value deduction when purchasing a replacement vehicle. To take the fair market value deduction the taxpayer must obtain a certificate of title for the replacement vehicle, use the replacement vehicle for business or personal use, and offer the retired vehicle for sale. The bill would clarify statute and codify longstanding Comptroller policy that the retired and replacement vehicles both be titled and used in Texas. Therefore, according to the Comptroller of Public Accounts, the bill would have no fiscal implications.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2021.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

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

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