

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

**FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION**

**March 28, 2023**

**TO:** Honorable Joan Huffman, Chair, Senate Committee on Finance

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

**IN RE: SB1498** by Nichols (Relating to the collection, remittance, and administration of the tax on gross rental receipts 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 SB1498, As Introduced : a positive impact of \$5,985,000 through the biennium ending August 31, 2025.

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

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$2,452,000
2025	\$3,533,000
2026	\$8,084,000
2027	\$8,730,000
2028	\$8,880,000

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

<i>Fiscal Year</i>	<i>Probable Revenue Gain from General Revenue Fund</i>	<i>Probable Revenue Gain from State Highway Fund</i>
	<b>1</b>	<b>6</b>
2024	\$2,452,000	\$1,321,000
2025	\$3,533,000	\$1,902,000
2026	\$8,084,000	\$4,353,000
2027	\$8,730,000	\$4,700,000
2028	\$8,880,000	\$4,782,000

**Fiscal Analysis**

The bill would amend Section 152.001(8) of the Tax Code to change the definition of gross rental receipts to include value received or promised as consideration to the owner of a motor vehicle or the marketplace rental provider for rental of the vehicle.

The bill adds new Section 152.0011 to Subchapter A, Chapter 152, of the Tax Code to define marketplace rental provider.

The bill would impose a tax rate of 10 percent of the gross rental receipts from the rental of a rented motor vehicle if the vehicle is rented through a marketplace rental provider, the motor vehicle is rented for 30 days or less and either the motor vehicle is registered for rental or the owner of the motor vehicle rents at least five

different motor vehicles within an 12-month period.

The bill would impose a tax rate of 6.25 percent on the gross rental receipts from the rental of all other motor vehicles rented through a marketplace rental provider.

The bill would require marketplace rental providers to collect, report, and pay the tax on gross rental receipts to the Comptroller in the same manner prescribed by Chapter 151 of the Tax Code. The marketplace rental provider would certify to the owner of a motor vehicle rented through the provider that the provider has collected, reported, and paid the tax.

The owner of a motor vehicle rented through a marketplace rental provider could elect to report and pay the tax on gross rental receipts to the Comptroller under certain circumstances.

Either the owner of the motor vehicle or the marketplace rental provider would add the tax to the rental charge. The Comptroller could proceed against a person renting a motor vehicle, the owner of the rented motor vehicle, or the marketplace rental provider for any unpaid gross rental receipts tax.

If the motor vehicle is rented through a marketplace rental provider and the provider is required to file a report under Chapter 152 but fails to timely file the report, the provider would pay a penalty of \$50.

The bill would require a marketplace rental provider required to collect, report, and pay a tax on gross rental receipts to register as a retailer with the Comptroller.

The bill would take effect October 1, 2023.

### **Methodology**

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. The amount was then reduced by the projected credits taken by owners of vehicles rented through marketplace providers; compliance rate; and a filer discount, such as 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**

No fiscal implication to units of local government is anticipated.

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

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