



TAX POLICY UPDATES:

89TH LEGISLATIVE SESSION & FREQUENTLY ASKED QUESTIONS

PRESENTED BY TALIEA POCAIGUE
TAX POLICY – INDIRECT TAX
NOVEMBER 20, 2025

AGENDA

- Legislative Updates
 - Senate Bill (SB) 2064
 - SB 1816
 - House Bill (HB) 4226
 - HB 4134
- Frequently Asked Questions
 - Motor Vehicles Going Through Bonded Title Process
 - Leases
 - Motor Vehicle Rentals
 - Liens – Storage or Mechanic
 - Co-Owners & Co-Signers
 - Fair Market Value Deductions
 - Standard Presumptive Value & Private-Party Transactions
 - Public Agencies
 - Military Personnel



SENATE BILL 2064

Senate Bill 2064 provides an exemption from the motor vehicle taxes imposed by Chapter 152, including the \$10 gift tax, on the transfer of a motor vehicle to a person from a decedent or decedent's estate.

Amends Tax Code Sections 152.025(a) and 152.062(b-2) and adds Tax Code Section 152.094



SB 2064

Question: Are the Form 14-317, Affidavit of Motor Vehicle Gift Tax, and the \$10 tax payment still required beginning Sept 1?

Response: No. As of Sept. 1, motor vehicles transferred from a decedent's estate to a distributee or under a rights of survivorship agreement, are exempt from motor vehicle taxes; therefore, the gift affidavit is not required, and the \$10 gift tax payment is not due.



SB 2064

Question: Will Form 14-317, Affidavit of Motor Vehicle Gift Tax, be updated by Sept. 1?

Response: No. The effective date of Sept. 1 has already passed. And, while the agency has plans to update Form 14-317 (Affidavit of Motor Vehicle Gift Tax) in the future, the affidavit is no longer required if a motor vehicle is transferred from a decedent's estate to a distributee or under a rights of survivorship agreement.



SB 2064

Question: What date is used to determine eligibility for the exemption?

Response: The date used is the date the motor vehicle was transferred from a decedent's estate to a distributee or under a rights of survivorship agreement. Transfers that take place on or after Sept. 1 qualify for the exemption.



SB 2064

Question: When entering the exemption into the Texas Department of Motor Vehicle (TxDMV) Registration and Titling System (RTS), there is no option for the inherited motor vehicle exemption. What option does the county tax assessor-collector (CTAC) choose when processing these transactions?

Response: TxDMV states that CTACs should use the box labeled "Other" until further notice that an update is available in RTS.



SB 1816

Senate Bill 1816 amends current law relating to the titling, registration and operation of miniature vehicles, and provides clarity about their operations in Texas. Prior to this bill, miniature vehicles were not considered motor vehicles and were subject to sales and use tax as tangible personal property. Now, certain miniature vehicles meet the definition of a motor vehicle and are subject to motor vehicle sales and use tax and not limited sales and use tax.

Adds Transportation Code Sections 501.009, 502.001(21-a), 502.006, and 545.429



HOUSE BILL 4226

House Bill 4226 provides an exemption from the motor vehicle taxes imposed by Chapter 152 for a vehicle purchased, used, or rented by a nonprofit food bank that is used primarily by the food bank for its purposes. The bill also exempts a vehicle purchased, used, or rented by an entity providing housing services that primarily uses the vehicle as housing for individuals who are experiencing homelessness.

Adds Tax Code Sections 152.094 and 152.095



HB 4226

Question: With the passing of HB 4226, how do nonprofit food banks and providers of housing and related services claim an exemption from motor vehicle tax?

Response: A nonprofit food bank or a provider of housing and related services would enter the exemption in Box 38 of Form 130-U, Application for Texas Title and/or Registration. The entities should reference either Section 152.094 (Motor Vehicles Used by Nonprofit Food Bank) or 152.095 (Motor Vehicles Used by Provider of Housing and Related Services) when claiming the exemption.



HB 4134

House Bill 4134 provides that a holder of a retail installment contract for a motor vehicle or the holder's agent may collect a convenience fee for processing a retail buyer's electronic payment under the contract providing certain conditions are met. A fee allowed by this bill is part of "total consideration" under Tax Code Section 152.002 and is subject to motor vehicle sales tax.

Adds Finance Code Section 348.416



HB 4134

Question: Are payment processing “convenience” fees part of, or excluded from, total consideration?

Response: The convenience fee is part of total consideration, per Section 152.002(a)(2) (Total Consideration), “...any other expense.”



FREQUENTLY ASKED MOTOR VEHICLE TAX QUESTIONS

MOTOR VEHICLES GOING THROUGH BONDED TITLE PROCESS

MOTOR VEHICLES GOING THROUGH BONDED TITLE PROCESS

- Bonded title process means there is an issue with title and does not affect taxability.
- Form 130-U signed by selling dealer and purchaser is acceptable documentation for proof of total consideration paid
- Substantiating documentation may be requested, including:
 - Dealer's invoice
 - Buyer's orders
- Private-party transactions – seller is not required to sign Form 130-U, provided seller:
 - Does not have a GDN
 - Has complied with Transportation Code Section 501.028 (Signatures) and 501.072 (Odometer Disclosure Statement)



MOTOR VEHICLES GOING THROUGH BONDED TITLE PROCESS

- Total amount paid or to be paid for a motor vehicle and its accessories attached on or before the sale without deducting:
 - The cost of the motor vehicle;
 - The cost of material, labor or service, interest paid, loss or any other expense;
 - The cost of transportation of the motor vehicle before its sale; or
 - The amount of manufacturers' or importers' excise tax imposed on the motor vehicle by the U.S.



MOTOR VEHICLES GOING THROUGH BONDED TITLE PROCESS

Question: How is motor vehicle tax handled in bonded title applications for motor vehicles over 25 years of age?

Response: MV tax is due based on the documented total consideration paid. A bill of sale would document that information.



MOTOR VEHICLES GOING THROUGH BONDED TITLE PROCESS

Question: Should an applicant be required to obtain a VTR-125 (Motor Vehicle Appraisal for Tax Collector Hearing/Bonded Title) for TxDMV and Form 14-128 (Texas Used Motor Vehicle Certified Appraisal Form) for the Comptroller to overcome SPV in a private party transaction?

Response: A taxpayer would only be required to use Form 14-128 to overcome SPV in a private party transaction. If an appraisal is obtained for motor vehicles 25+ years old, any appraisal form is acceptable.



RESOURCES

- Sections 152.002(a)(1-4) (Total Consideration) and 152.0412(e) (Standard Presumptive Value; Use By Tax Assessor-Collector)
- Rules 3.74 (Seller Responsibility)
- Publication 96-254, Motor Vehicle Tax Guide – Total Consideration



LEASES

LEASES

- Tax is imposed on the leasing company's Texas purchase of a motor vehicle and is due at the time of titling and registration.
- Tax is calculated on the leasing company's purchase price.
- The leasing company may use the fair market value deduction to reduce the vehicle's taxable value.



LEASES – LEASES (TRADITIONAL)

- Use of a vehicle for consideration for a period over 180 days.
- Lessor remains the title owner, and a lessee has no ownership rights.
- No tax is due on the lease payments made by the lessee under a lease agreement.



LEASES – SALE (LEASE TO PURCHASE)

- One taxable sale has occurred.
- Lessor retains title while payments are made by the lessee.
- Must meet one of the following conditions:
 - the lessor transfers the motor vehicle to a lessee under a "must purchase" clause;
 - the lessor transfers the motor vehicle to a lessee under an "option to purchase" clause at nominal value; or
 - the lessor transfers the motor vehicle to a lessee at nominal value.

Note: Nominal value is not residual value.



RESOURCES

Section [152.001\(b\)\(6\)](#) (Definitions)

Rule [3.70](#) (Motor Vehicle Leases and Sales)

Publication [96-254](#), MV Tax Guide – Leases



MOTOR VEHICLE RENTALS

MOTOR VEHICLE RENTALS

Companies that rent motor vehicles, including trailers, must apply for a motor vehicle rental tax permit if they:

- Rent motor vehicles for less than 180 days;
- Rent motor vehicles for re-rental; or
- Are a motor vehicle manufacturer.

Permit issued by Comptroller of Public Accounts using [Form AP-143, Texas Motor Vehicle Rental Tax Application](#).



MOTOR VEHICLE RENTALS

Companies that rent motor vehicles must register and title them with the CTAC. A minimum motor vehicle rental tax liability is established for each vehicle.

The minimum rental tax liability is 6.25 percent of the taxable value (i.e., total consideration, less trade-in and fair market value deduction) of the motor vehicle.

Depending on the status of a rental permit account (“qualified” or “non-qualified”), motor vehicle tax is either due or may be deferred.



MOTOR VEHICLE RENTALS

Account Type	# of Motor Vehicles in Rental Fleet	Can Defer Tax?	Tax Due	Paid to
Nonqualified	Less than 5	No	When motor vehicle is titled and registered	CTAC
Qualified	5+	Yes	When motor vehicle is rented, unless rental for re-rental	CPA



MOTOR VEHICLE RENTALS

35. Check only if applicable:		MOTOR VEHICLE TAX STATEMENT	
<input type="checkbox"/> I hold Motor Vehicle Retailer (Rental) Permit No. _____ and will satisfy the minimum tax liability (V.A.T.S., Tax Code §152.046(c))			
<input type="checkbox"/> I am a dealer or lessor and qualify to take the Fair Market Value Deduction (V.A.T.S., Tax Code, §152.002(c)), GDN or Lessor Number _____			
36. Trade-In (if any)	Year	Make	Vehicle Identification Number
<input type="checkbox"/> Yes (Complete)			
		37. Additional Trade-In(s) <input type="checkbox"/> Yes	
38. Check only if applicable:		SALES AND USE TAX COMPUTATION	
<input type="checkbox"/> (a) Sales Price (\$ _____ rebate has been deducted)	\$ _____	<input type="checkbox"/> \$90 New Resident Tax – (Previous State)	_____
(b) Less Trade-in Amount, described in Box 36 above	\$ (_____)	<input type="checkbox"/> \$5 Even Trade Tax	
(c) For Dealers/Lessors/Rental ONLY – Fair Market Value Deduction, described in Box 36 above	\$ (_____)	<input type="checkbox"/> \$10 Gift Tax – Attach Comptroller Form 14-317	
(d) Taxable Amount (Item a minus Item b or Item c)	\$ _____	<input type="checkbox"/> \$65 Rebuilt Salvage Fee	_____
(e) 6.25% Tax on Taxable Amount (Multiply Item d by .0625)	\$ _____	<input type="checkbox"/> 2.5% Emissions Fee (Diesel Vehicles 1996 and Older > 14,000 lbs.)	_____
(f) Late Tax Payment Penalty <input type="checkbox"/> 5% or <input type="checkbox"/> 10%	\$ _____	<input type="checkbox"/> 1 % Emissions Fee (Diesel Vehicles 1997 and Newer > 14,000 lbs.)	_____
(g) Tax Paid to _____ (STATE)	\$ _____	<input type="checkbox"/> Exemption claimed under the Motor Vehicle Sales and Use Tax Law because:	_____
(h) AMOUNT OF TAX AND PENALTY DUE (Item e plus Item f minus Item g)	\$ _____	<input type="checkbox"/> \$28 or \$33 Application Fee for Texas Title	_____
		(Contact your county tax assessor-collector for the correct fee.)	

Form 130-U

Motor Vehicle Taxpayer Status Search



MOTOR VEHICLE RENTALS

Taxpayer Details



Name:

Taxpayer ID:

Mailing Address:

MV Rental Tax

Permit Type:	Motor Vehicle Rental Tax
Permit Status:	Active Qualified - Eligible to Defer MV Tax
Permit Begin Date:	09/01/2003
Business Type:	Mv Rental Company

Qualified

Taxpayer Details



Name:

Taxpayer ID:

Mailing Address:

MV Rental Tax

Permit Type:	Motor Vehicle Rental Tax
Permit Status:	Active Not Qualified - Not Eligible to Defer MV Tax
Permit Begin Date:	05/25/2025
Business Type:	Mv Rental Company

Non-Qualified

[Motor Vehicle Taxpayer Status Search](#)



RESOURCES

Section [152.001\(b\)\(5\)](#) (Definitions)

Rule [3.78](#) (Motor Vehicle Rentals)

Publication [96-143](#), MV Rental Tax Guide



LIENS – STORAGE OR MECHANIC

LIENS – STORAGE OR MECHANIC

- Motor vehicle owner fails to pay for service costs.
- Service provider (lienholder) may attempt to recover costs by holding a public sale of the motor vehicle.



PURCHASE OF FORECLOSED VEHICLE

- Purchaser owes motor vehicle tax on the total consideration paid for the motor vehicle.
- Purchaser may be a storage or mechanic lienholder.



PURCHASE BY THIRD-PARTY

When the purchaser is a third party, motor vehicle tax is due on the total consideration paid at the time of sale.



PURCHASE BY LIENHOLDER

Total consideration includes the debt forgiven, such as storage fees or repair costs.



LIENS – STORAGE OR MECHANIC

Question: What fees must the CTAC take into consideration as taxable amount when collecting motor vehicle tax on foreclosure liens (such as mechanic's and storage liens)?

Response: The purchaser of a foreclosed motor vehicle owes motor vehicle tax on the total consideration paid for the motor vehicle.

When the purchaser is a third party, motor vehicle tax is due on the total consideration paid at the time of sale. The sales receipt or invoice will provide that amount.

When the purchaser is the storage or mechanic lienholder total consideration includes the debt forgiven, such as storage fees or repair cost. The lienholder can provide proof of the debt forgiven in their books.



RESOURCES

- Section 152.002 (Total Consideration)
- Publication 96-254, Motor Vehicle Tax Guide – Liens - Storage or Mechanic
(currently in revision for clarity)



CO-OWNERS & CO-SIGNERS

CO-OWNERS & CO-SIGNERS

- Removing a co-owner is not a taxable event if no consideration is given.
- Taking over sole responsibility of a lien does not make the transfer taxable.

Note: This section does not include gifted or inherited motor vehicles.



CO-OWNERS & CO-SIGNERS

- Documentation should indicate co-owner or co-maker name being removed.
- Motor vehicle tax is due if any consideration is given.
- SPV applies to private-party purchases.



CO-OWNERS & CO-SIGNERS

Question: If a vehicle is co-owned by a corporation/LLC and an individual, and the title is now being transferred to the individual only, is the transaction not subject to tax, or are they to be charged tax based on SPV?

Response: Removing a co-owner does not meet the definition of a sale; therefore, the removal of the corporation/LLC is not a taxable transaction. The documentation should indicate that a co-owner or co-maker's name is being removed from the loan.

If a new co-owner gives any consideration to the other co-owner, then motor vehicle tax is due. SPV applies to the private-party purchase.

Please note: This scenario is outside of removing a name upon the death of a co-owner.



Resources

- Section 152.001(1) (Definitions)
- Rule 3.80(a)(6) (Motor Vehicles Transferred as a Gift or for No Consideration)
- Publication 96-254, MV Tax Guide – Co-Owners and Co-Signers



FAIR MARKET VALUE DEDUCTIONS (FMVD)

FAIR MARKET VALUE DEDUCTIONS

- Allows for the replacement of a motor vehicle without paying all or some of the tax when purchasing new or trading in old vehicles. FMVDs are allowed to be used by:
 - MV Dealers
 - Lessors
 - Rental Companies
- FMVD can be used on one or more motor vehicles being retired from use. FMV is deducted from the purchase price of a replacement vehicle.
- MV tax is due on the difference.



FAIR MARKET VALUE DEDUCTIONS

- Two types of motor vehicles involved in an FMVD:
 - New motor vehicle (replacement vehicle); and
 - The motor vehicle(s) removed from service (retired vehicle).



MOTOR VEHICLE REQUIREMENTS

Retired Motor Vehicle

Dealer, lessor, or rental company must:

- Title the vehicle in their name in Texas, unless titled to a related company;
- Retire the vehicle from business or personal use;
- Offer the vehicle for sale before claiming the FMVD;
- Use the vehicle only once in an FMVD up to 18 months after removing it from service and offering it for sale.



MOTOR VEHICLE REQUIREMENTS

Replacement Motor Vehicle

Dealer, lessor, or rental company must:

- Title the vehicle in their name in Texas; and
- Purchase it for business or personal use.



REPORTING FMVD

Dealer, lessor, or rental company:

- Reports and claims FMVD at the time of registration and titling of the replacement motor vehicle;
- Documents the FMVD on Form 130-U, along with either:
 - General Distinguishing Number (GDN) for dealers;
 - Rental Permit Number for rental companies; or
 - Lessor License Number for lessors, unless specifically not required to obtain a lessor license under Texas Finance Code Section 2301.254(a).



FAIR MARKET VALUE DEDUCTIONS

Question: Can franchise dealers give both FMVD and trade-in value on the same motor vehicle?

Response: Yes, a dealer may accept a trade-in and allow a fair market value deduction on a vehicle purchase.



RESOURCES

- [Section 152.002\(b\)\(5\), \(c\), \(d\), and \(e\) \(Total Consideration\)](#)
- [Rules 3.73 \(Qualifying for Fair Market Value Deduction and Determination of Fair Market Value for Replaced Vehicles\) and 3.74 \(Seller Responsibility\)](#)
- [Publications 96-254, MV Tax Guide – Fair Market Value Deduction \(FMVD\) and 96-141 – Fair Market Value Deduction](#)



**STANDARD PRESUMPTIVE VALUE
(SPV) & PRIVATE-PARTY
TRANSACTIONS**

STANDARD PRESUMPTIVE VALUE (SPV) & PRIVATE-PARTY TRANSACTIONS

- Standard presumptive value (SPV) procedures may apply to motor vehicles acquired or purchased in a private-party transaction.
- A private-party transaction refers to a sale of a motor vehicle when neither party is a dealer.
- Private-party transactions include sales between family members, neighbors, businesses, certain trusts and other parties.
- CTAC must compare sales price (total consideration) to SPV.



SPV EXCLUSIONS

SPV procedures do not apply to the following transactions:

- motor vehicles sold by dealers
- sales of non-repaired salvage units
- sales of abandoned vehicles
- motor vehicles sold through storage or mechanic's liens
- motor vehicles sold by governmental entities
- sales of motor vehicles eligible for specialty plates (under Transportation Code Section 504.501)
- even trades/even exchanges of motor vehicles
- motor vehicles that qualify as gifts to eligible parties



SPV PROCEDURES

- CTAC must use the SPV provided through RTS on the day of titling and/or registering the motor vehicle.
- MV tax is based on one of the following:
 - Motor vehicle sales price, when purchaser paid 80% or more of the SPV;
 - 80% of SPV, when purchaser paid less than 80% of vehicle's SPV; or
 - Motor vehicle's certified appraised value, when the purchaser paid less than 80% of the vehicles SPV, and provides a valid appraisal



VALID APPRAISAL

- Must be presented within 30 days after the date of sale or, if purchased out of state, within 30 calendar days of first use in Texas (60 calendar days for active-duty military personnel).
- Calculated on the appraised value, if purchaser paid less than 80% of SPV.
- Form 14-128 must be completed (checklist available in Publication 96-254, Motor Vehicle Tax Guide)
- Retain records of appraisal for 4 years



RESOURCES

- Section 152.0412(g), (h), (i), and (j) (Standard Presumptive Value; Use By Tax Assessor-Collector)
- Rule 3.79(e) (Standard Presumptive Value)
- Publications 96-254, Motor Vehicle Tax Guide – Standard Presumptive Value (SPV) on Private-Party Transactions



PUBLIC AGENCIES

PUBLIC AGENCIES

- A State of Texas:
 - Department;
 - Commission;
 - Board;
 - Office;
 - Institution;
 - Agency;
 - County;
 - City;
 - Town;
 - School District;
 - Hospital District;
 - Water District;
 - Other Special Purpose District;
 - Authority; or
 - Political Subdivision; or
- An unincorporated agency or instrumentality of the United States.



PUBLIC AGENCIES

The term includes

- any college or university created or authorized by the Texas constitution or Texas statutes;
- all independent boards, commissions, agencies, or corporations that are instrumentalities of the U.S. and are wholly owned by the U.S. or by another corporation wholly owned by the U.S., including organizations specifically exempted as an instrumentality of the U.S. by federal statute, such as a federal credit union, federal reserve bank, or federal home loan bank; and
- an open-enrollment charter school (granted a charter under Education Code, Chapter 12, Subchapter D).



PURCHASES & LEASES

The sale or use of a motor vehicle is exempt from motor vehicle tax when:

- Purchased and used by a public agency, and:
 - Operated with exempt plates; or
 - Exempted from inscription requirements; or
 - Issued regularly designed license plates when used for law enforcement activities; or
 - Leased to a public agency and operated with exempt license plates.
- Used by the federal government, regardless of plate type



CLAIMING AN EXEMPTION

- Title applicant should indicate "public agency" in Box 38 of Form 130-U; and
- List the appropriate statutory reference for this exemption:
 - Section 152.082, Sale to a Public Agency; or
 - Section 152.083, Lease to a Public Agency.



RESOURCES

- Sections [152.001\(7\) \(Definitions\)](#), [152.082 \(Sale of Motor Vehicle to or Use of Motor Vehicle by Public Agency\)](#), and [152.083 \(Lease of Motor Vehicle to Public Agency\)](#)
- Rule [3.83 \(Sales and Use of Motor Vehicles Purchased or Leased by Public Agencies; and Sales and Use of Motor Vehicles Purchased by Transportation Companies\)](#)
- Publication [96-254, Motor Vehicle Tax Guide – Public Agencies](#)



MILITARY PERSONNEL

MILITARY PERSONNEL

- Vehicles purchased by U.S. active-duty military personnel, and most foreign military personnel, are subject to Texas motor vehicle taxes.
- The Service Members Civil Relief Act exempts the U.S. military from some state and local property and income taxes but does not apply to motor vehicle taxes.
- No exemption from motor vehicle tax because the vehicle was purchased in another state, overseas, or through a base exchange.



MILITARY PERSONNEL

- Tax due 60 days from purchase or first use in Texas.
- If Texas is their home state of record, tax is due.
- Out-of-state military personnel *may* qualify for the \$90 New Resident Tax.
- Credit may be allowed for legally paid taxes to another state or U.S. possession or territory
- No exemption for active-duty military personnel or veterans.



TEXAS MILITARY PERSONNEL

- Sales tax is due on Texas purchases.
- Use tax is due on vehicles purchased outside of Texas.
 - SPV may apply.
 - Credit given for tax legally paid to another state or U.S. possession or territory.
- Tax is due if Texas-resident military personnel registers vehicle in Texas when stationed outside Texas.



OUT-OF-STATE MILITARY PERSONNEL

- *May* qualify for \$90 new resident tax.
- Otherwise, use tax is due.
 - SPV procedures may apply.
 - Credit may be allowed for legally paid taxes to another state, or U.S. possession or territory.
- Exemption for NATO attached military personnel, their dependents and military employed-civilians.



RESOURCES

- **Rule** [3.68 \(United States and Foreign Military Personnel Stationed in Texas\)](#)
- **Publication** [96-254, Motor Vehicle Tax Guide – Military Personnel](#)



CONTACT US

Tax Help – General Motor Vehicle Tax Questions

Tax.Help@cpa.Texas.gov

800-803-2573

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THANK YOU!



Use your phone's camera to complete this short survey. Thank you for your feedback!

