

## **BILL ANALYSIS**

Senate Research Center

C.S.H.B. 1694  
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### **DIGEST AND PURPOSE**

Under current law, a leased motor vehicle is subject to ad valorem property taxes. This taxation may have been intended solely for businesses leasing fleets of vehicles. However, many such leases are now used by individuals who wish to pay a lower price for a new vehicle. The Texas Constitution was amended last year to exempt a leased motor vehicle from ad valorem property taxes if the vehicle is not used by the lessee for the production of income. However, without enabling legislation, the constitutional amendment has no effect. H.B. 1694 exempts a leased motor vehicle from ad valorem property taxes if such a vehicle is not used by the lessee for the production of income.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 (Section 11.252, Tax Code).

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Chapter 11B, Tax Code, by adding Section 11.252, as follows:

Sec. 11.252. MOTOR VEHICLES LEASED FOR PERSONAL USE. (a) Defines “lease,” “leased vehicle,” “lessee,” “lessor,” and “motor vehicle.”

- (b) Entitles a lessor to an exemption from taxation of a leased vehicle under certain conditions.
- (c) Requires the comptroller by rule to establish exemption application requirements and appropriate procedures to determine whether a leased vehicle qualifies for an exemption under this section. Requires the chief appraiser to publicize the provisions of this section and the requirements and procedures established by the comptroller under this subsection.
- (d) Requires the comptroller by rule, in connection with the requirements and procedures under Subsection (c), to prescribe a declaration form to be completed by a lessee of a motor vehicle for which the lessor of the vehicle may apply for an exemption under this section. Requires the form to require the lessee to provide the lessee’s full name, permanent address, and driver’s license number or personal identification certificate number, and to certify under oath that the lessee does not hold the vehicle for the production of income and that the leased vehicle is used only for activities that do not involve the production of income. Requires the comptroller to include on the face of the form instructions as to the time and manner in which the form must be completed and returned to the lessor and a notice of the penalties prescribed by Section 37.10 (Tampering with Governmental Record), Penal Code, for making a false statement on the form.
- (e) Requires the lessor to maintain a completed form received from the lessee under

Subsection (d) until the fifth anniversary of the date the lease expires and to make the form available for inspection and copying by the chief appraiser of the applicable appraisal district at all reasonable times. Provides that if the lessor does not maintain a completed form relating to the leased vehicle as required by this subsection, the owner will be subject to certain provisions in each applicable tax year.

(f) Requires the lessor, in connection with each lease of a leased vehicle, not later than the fifth day after the date the lease is entered into, to provide the lessee with the declaration form adopted by the comptroller under Subsection (d). Provides that the failure of a lessor to provide the lessee with the declaration form as required by this subsection is a deceptive trade practice under Section 17.46, Business and Commerce Code.

(g) Requires that if a lessor holds a completed declaration form for a leased vehicle, in each tax year during the term of the lease of the leased vehicle, the lessor apply for an exemption for the vehicle under this section in the time and manner required by Section 11.43.

(h) Provides that a leased vehicle described on a completed declaration form that complies with this section and is filed with an application for exemption under this section is presumed to be eligible for the exemption.

(i) Requires the comptroller by rule, in addition to the requirements of Subsections (c) and (d), to prescribe a property report form to be completed by the lessor describing the leased motor vehicles that the lessor owns. Requires the property report form to require the lessor to list each leased vehicle the lessor owns on January 1, to provide certain information for each leased vehicle, and to provide certain information about the lessee.

(j) Requires the lessor to provide the chief appraiser with the completed property report form adopted by the comptroller in the manner provided by Chapter 22B.

(k) Sets forth provisions relating to tax exemption.

(l) Prohibits the lessor, if in any tax year ad valorem taxes are imposed on a leased vehicle because of a lessor's failure to comply with this section or another provision of this code, from directly or indirectly charging the lessee for those taxes or any penalty or interest on those taxes.

(m) Authorizes the lessor to charge the lessee for any taxes subsequently imposed on the vehicle in that year and for any penalty or interest on those taxes under certain conditions.

SECTION 2. Effective date: January 1, 2002.

Makes application of this Act prospective to January 2, 2001.