

# HB107 SUBSTITUTE 2: VEHICLE SALES TAX AMENDMENTS

Sponsor: Representative Teuscher

## Current Law

1

### Private Sale

You sell your current car and purchase a new vehicle in a private sale. You paid the full sales tax amount during the purchase of your current car and the purchase of your new car.

2

### Dealership Sale

You sell your current car and purchase a new vehicle at a dealership. The dealership exempts the trade-in value from the old car when calculating the new car's value. You pay sales tax on the new car's value after the trade-in value is taken off

3

### Result

You pay more in sales tax when you purchase a new car in a private sale than when purchasing a new car at a dealership.

## Registration Fees

1

### Expenditures and Revenues

Tax Refund will mean expenditures. To offset these expenditures, registration fees will create revenue.

2

### Registration Numbers

The Tax Commission estimates that only 50-60% of individuals pay their vehicle registration on time.

3

### Late Registration Fees

HB107 creates a fee for each month registration is late. The fees must be paid when the registration is renewed

## HB107 Non-refundable Tax Credit

1

### Claim Tax Credit

After purchasing the replacement car, you may file for a non-refundable income tax credit (if the replacement vehicle is purchased within 30 days of selling the original vehicle).

2

### Tax Credit Amount

The refund amount is equal to the lesser of either

- the tax rate paid on the replacement vehicle multiplied by the original vehicle's sales price
- the sales and use tax paid on the replacement vehicle.

3

### Tax Credit Cap

The Income Tax Credit will be capped at the amount brought in by the late registration fees into a restricted account.

4

### Result

The sales tax you pay during a private sale is closer to the amount you pay at a dealership. Private sales are no longer disadvantaged.

## Example

### Selling your car privately

You sell your current car for \$10,000 and purchase a new car for \$20,000. You paid the full sales tax price on both your current car and your new car. If the sales tax rate is 10%, you paid \$1,000 in sales tax for your current car and \$2,000 in sales tax for your new car.

**Total tax payment: \$3,000**



### Selling your car at a dealership

You sell your current car for \$10,000 and purchase a new car for \$20,000. The dealership will take the trade-in value of your current car and put it towards your new car. The new car now essentially costs \$10,000. You paid the full sales tax rate on your current car and now you pay sales tax on the \$10,000 for your new car. If the sales tax is 10%, you pay \$1,000 on both cars in sales tax.

**Total tax payment: \$2,000**