



LIFT Perspective: CSHB 4

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“Presumed Value” Ends the Potential for Fraud

The potential for individuals to under-report private sales prices of motor vehicles for the purposes of remitting less motor vehicle sales and use tax is real. In lieu of other policy proposals to address fraudulent reports of vehicle sales prices, CSHB 4 is a good first step toward ending under-reporting of prices and, thus, motor vehicle sales taxes fraud.

CSHB 4 is not without flaws: CSHB 4 requires the Texas Department of Transportation to maintain and update a database of “presumptive values” based on the registration and title system at an initial cost of \$800,000.

If a buyer pays 80-100% of the “presumed value” of a motor vehicle, the tax is computed based on the amount paid. However, if the buyer pays 79% or less of the presumed value, the tax due is calculated based on the full “presumed value” of the vehicle:

Vehicle with a \$10,000 “Presumed Value”

If buyer pays:	Tax Due (6.25% rate):
\$8,000	\$500
\$7,999	\$625

With the new tax computation based on “presumed value” (supposedly an expert’s approximation of the price that two people *should* agree upon) and the actual price paid, the government could discourage buyers negotiating a better price for a used vehicle.

Regardless of its flaws, CSHB 4 is correct in addressing motor vehicle sales tax fraud. Other policy proposals to address the current potential for fraud lacking, CSHB 4 is a first step that can be enacted, observed, and amended with time. Furthermore, CSHB 4 is a necessary component in the overall plan to reduce property taxes.