Motor Vehicle Dealer Special Inventory Frequently Asked Questions

1. Where are the Dealer's Inventory Declaration and Monthly Statements to be mailed?

Travis Central Appraisal District
Attn: Dealer Special Inventory
PO Box 149012
Austin TX 78714-9012

bpp@TCADcentral.org

Travis County Assessor-Collector
Attn: Dealer Special Inventory
PO Box 149328
Austin TX 78714-9328

SIT@traviscountytx.gov

2. **What is Special Inventory?**
The Senate Bill 878, effective January 1st, 1994, was enacted by the 73rd Texas Legislature changing how a county appraisal district (CAD) appraises motor vehicle inventory for property tax purposes and how dealers pay their property taxes on this inventory.

3. **What is the Declaration and when is it due?**
It is an annual report of your prior year's sales and determines your market value for the current year. It also provides the dealer's current mailing address and location. The Declaration is due every year prior to February 1. New dealers with licenses issued after January 1 of the current year are required to **file** a Declaration with the appraisal district and assessor-collector within 30 days of the date that the dealer license was issued by the state.

4. **What is the Dealer Inventory Tax Statement and when is it due?**
The Inventory Tax Statement is a report of your prior month's sales with the calculation of the Unit Property Tax on those sales. The Statement is due by the 10th of each month for the prior month's sales. For example, the Statement for the sales made in January 2022 is due by February 10th, 2022.

5. **If I file an Inventory Tax Statement each month, am I still required to file the annual Declaration?**
Yes, a Declaration is due each year until the dealer's license is canceled or expires.

6. **Are the special inventory Declaration or monthly Tax Statement confidential?**
Yes. The filed forms are confidential.

7. **I have been issued a dealer number but didn't own any vehicles on January 1. Am I required to file the Declaration and Statements?**
Yes. You are considered in business beginning on the date the dealer number is issued and continuing until it is canceled or expires.

8. **Why do I have to file forms each month if I don't have any sales or own inventory?**
The law requires you to file every month that your dealer number is active even if you do not have sales or inventory. If you have not made any sales in the prior month, fill out Steps 1-2 and write "No Sales" in Step 3 and sign and date the form.

9. **Is there a fine or penalty for not filing the Declaration or Monthly Statements, or filing them late?**
Yes. See Instructions for filing Declarations and Statements

10. **Am I required to file a rendition?**
All dealers must render their parts, accessories, supplies, and fixed assets used in the business. The assets required by the rendition will have a separate account number. The rendition deadline is April 1. Do not include your vehicle inventory on the rendition.

11. **Can I send in a computer listing of sales or substitute a report from my dealer software system?**
Yes. You may complete Steps 1, 2, 4 and 5 of the Statement form and attach a listing of sales if the listing includes all of the information required in Step 3. A report from your dealer software system may be substituted for the Statement form if it includes all information required on the Statement form.

12. **If all sales are wholesale (dealer to dealer), do I have to file?**
If your license type allows you to sell at the retail level you are required to file, regardless of the type of sale.

13. If the sale is for export, is it required to be reported?
Yes. All sales of dealer inventory must be reported.

14. If the vehicle has a salvage title, does it have to be reported?
Vehicles sold as reconditioned or sold as salvage where the buyer obtains a recondition title must be reported on your monthly statement and yearly declaration. Vehicles sold with a salvage title sold as salvage or parts are not considered dealer inventory and are not reported on the Statement or Declaration. They are valued on the primary account at January 1 market value. However, if you have an active dealer license, you must still file Statements and Declarations.

15. Are all trailers or semi-trailers considered special inventory?
The type of trailer sold will determine if it qualifies as special inventory. Texas Property Tax code Section 23.121 Dealer's Motor Vehicle Inventory (a) (8) states " 'Motor vehicle' means a towable recreational vehicle or a fully self-propelled vehicle with at least two wheels which has as its primary purpose the transport of a person or persons, or property, whether or not intended for use on a public street, road, or highway." If you have a question on whether your trailer inventory qualifies as special inventory, please contact the appraisal district for the county in which you do business.

16. If a dealer both leases and sells motor vehicles, how does the dealer report the leased vehicles?
If the dealer leases a car, it is not special vehicle inventory. If during the year, the dealer sells a lease car (for example, the lease expired and an individual purchased the car), the car is special vehicle inventory. If a dealer sells a car to a company (being it finance, another dealer) that does not have a GDN or fleet identification number, the car is special inventory and needs to be reported on the monthly tax statement.

17. How do I report Auction Sales?
The sales price on your statement/declaration should include the cost for the auction to sell the vehicle(s). If the auction provides the selling dealer a document that includes the purchaser's name on it, this purchaser should be listed on statement.

18. What is a Police auction certificate and how do I report a vehicle sold with this certificate?
Police auction certificates are issued to storage lot owners when the police store a vehicle on their lot that is not claimed by the registered owner. This certificate allows them to sell the vehicle for storage charges. The certificate is treated as a title until the vehicle is sold. At the time of the sale, the certificate is exchanged for a new title. The dealer must report this sale on their statement and declaration.

19. If I take an even trade, how is the transaction reported?
Sales price means the total amount of money paid or to be paid for the purchase of a motor vehicle. It is the same amount as the "sales price" on line 21 of the form entitled "Application for Texas Certificate of Title." In a transaction that does not involve the use of that form, the term means an amount of money that is equivalent or substantially equivalent to the amount that would appear on line 21 as the "sales price" on the application for Texas Certificate of Title.

20. What is a Consignment Sale?
The owner-authorized sale of a motor vehicle by a person other than the owner

21. Are consignment sales a part of my inventory?
Yes. In the case of dealer inventory, the definition of inventory includes all vehicles held for sale by a dealer. See Tax Code 23.121(b) and (a)(4). What this means is that any vehicle held for sale by a dealer, regardless of ownership or consignment status, is counted as inventory for tax purposes.

22. Do I have to report consignment sales?
Yes. All consignment sales must be reported on the Monthly Inventory Tax Statement and the Annual Declaration.

23. Do I have to pay inventory tax on consignment sales?
Yes. The dealer would pay the inventory tax on the consignment sale based on the full amount of the sale and not on the amount the dealer would have received from the sale. The tax is due on the whole sales price as mandated by the statute.

24. How is Dealer Inventory appraised?
Although dealers are required to report and pay inventory tax on sales into an escrow account with the tax assessor-collector, the law requires that a market value be assigned to dealer inventory based on the previous year's sales.

The market value assigned is equal to 1/12 of the total dollar amount of sales from the previous year minus dealer (wholesale), fleet and subsequent sales. For example, suppose your total annual sales for 2019 were $215,000, and that amount includes $35,000 in dealer (wholesale) sales, $25,000 in fleet sales and $5,000 in subsequent sales. Your market value for the 2020 would be calculated as follows:

$215,000 — $35,000 — $25,000 — $5,000 = $150,000 / 12 = $12,500 market value

The market value will be shown on the annual Notice of Appraised Value and should match or closely approximate the value shown in Step 5 of the annual declaration.

25. **Can a dealer protest the value or inclusion of special vehicle inventory on the appraisal roll to the appraisal review board?**
    Yes. The dealer would follow the normal protest procedures - by May 15th or within 30 days of the delivery of the notice of the appraised value. The dealer has the right to protest any action of the appraisal district that applies to and adversely affects the dealer.

26. **Why does the tax factor change?**
    Your factor is based on the taxing jurisdictions where your business is located on January 1. At the end of each year, the taxing jurisdictions set the tax rates. If a jurisdiction changes its tax rate your factor will change the following year beginning January 1.

27. **Do I need to collect dealer inventory taxes if my license is issued after January 1?**
    No. If your license is issued after January 1, you will not collect dealer inventory taxes for the remainder of the year, however you must still file the monthly tax statement and report sales of vehicles. Please contact the appraisal district to issue a property id #. Forms are available on the district's website — www.traviscad.org.

    If you are in business the following year on January 1 the district will mail out a dealer packet which includes a preprinted declaration form and monthly tax statement form. The tax factor to be used to calculate the tax on dealer inventory sales will be included in the packet.

28. **Is special inventory taxable in the county where the vehicle is purchased or registered?**
    The special inventory is taxable in the county where purchased. Dealers who sell vehicles that are later registered in another county must still report the sales on their special inventory monthly tax statement.

29. **If I move during the year, will my factor change?**
    No. The factor is based on the January 1 location of the business. You will use the same factor for the entire year. You will have a new factor for the new location starting January 1.

30. **I paid into escrow on each sale during the year. Why do I owe more taxes?**
    The payment you send in each month is considered a prepayment of your tax bill and is held in an escrow account. Your escrow payments are based on the sales in the current year, but your tax is based on the prior year sales. If the current year sales are less than the prior year sales or if the tax rate goes up, you may owe more than the amount held in escrow.

    Tax bills are issued in October however the escrow balance will not be applied to the taxes due on the account until after the December statement deadline of January 10 of the following year. If the escrow balance is less than the tax due, a supplemental tax bill will be issued for the difference. If the escrow balance meets or exceeds the tax liability a tax receipt will be issued.

31. **If I move my business, do I need to let anyone know?**
    Yes. Send a letter to the appropriate licensing authority (Texas Department of Motor Vehicles, Texas Parks and Wildlife, or Texas Department of Housing and Community Affairs) with your identification number, the date of the move, the new location and the new mailing address

32. **If I close my business, do I need to let anyone know?**
    Yes. You must cancel the dealer number with TXDMV. You are required to file reports until the dealer number is canceled. Taxes are not prorated so a closure after January 1 of the tax year will not affect your market value or tax liability for that tax year.