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TAX TOPICS

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Texas Comptroller of
Public Accounts

MOTOR VEHICLE SALES AND USE TAX

Related Finance Companies and Seller-Financed Sales

When a seller-financed motor vehicle dealer sells an account receivable or "note" relating to the sale of a motor vehicle to another entity, the motor vehicle sales tax due on the transaction accelerates. This means the dealer must remit the tax on the next motor vehicle seller-financed tax return.

There is one exception: When a seller-financed dealer sells a note to a qualifying related finance company (RFC), the remaining tax due will not accelerate. The dealer will continue to collect and remit the remaining tax due as each payment is received. A qualifying RFC is one in which at least 80 percent of the ownership is identical to the ownership of the dealer who sells the note.

Each qualifying RFC to which the dealer sells notes must submit a completed registration form (AP-222) to the Texas Comptroller of Public Accounts with a required \$600 annual fee. The form is available online at comptroller.texas.gov/forms/.



The registration form or renewal form and payment must be postmarked by the end of a month in order for the registration to be effective on the first day of that month and through the next year. For example, a completed registration form and \$600 fee postmarked on July 15, 2015, will be effective for notes sold on or after July 1, 2015, through June 30, 2016.

Tax due will continue to accelerate when a note is sold to an unrelated lender, a non-qualifying RFC or an RFC that is not registered with the Comptroller's office at the time of the sale.

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