Legislative Analysis

TRANSFER OF VEHICLES TO IN-LAWS

House Bill 5261
Sponsor: Rep. Kevin Cotter
Committee: Tax Policy

Complete to 3-21-14

A SUMMARY OF HOUSE BILL 5261 AS INTRODUCED 1-29-14

The bill would amend the Use Tax Act to add in-laws to the list of family members who are not subject to the use tax when transferring a vehicle, effective January 1, 2014.

According to the Department of State, currently if you purchase a vehicle from another person, 6% tax is due on the full purchase price or fair market value, whichever is greater. No tax is due when an individual purchases a vehicle from an immediate family member. An immediate family member is defined as:

- o Spouse
- o Parent (natural or adoptive)
- o Brother or sister (including half-brothers and sisters)
- o Child (natural or adopted)
- o Stepparent, stepbrother, stepsister, or stepchild
- o Grandparent or grandchild
- o Legal ward or legally appointed guardian with certified letter of guardianship

House Bill 5216 would create a new section in the act (Section 4BB), effective January 1, 2014, that applies specifically to vehicles. It retains the current exemptions (found in existing Section 3), but would add: father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, and grandparent-in-law. The bill does not define the term "vehicle."

FISCAL IMPACT:

As written, the bill would be expected to have a negligible impact on use tax revenue. Because it's already possible to avoid the use tax by transferring a vehicle to an in-law through a mutually related individual, the bill would permit the same result and eliminate an additional transfer that is already exempt under current law.

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