

Dealer Inventory Frequently Asked Questions

Where are the Declarations and Statements to be mailed?

Hill County Appraisal District and the Hill County Tax Assessor/Collector.

Hill County Appraisal District Dealer Inventory PO Box 416 Hillsboro, Texas 76645 254-582-2508 www.hillcad.org	Hill County Tax Assessor/Collector Krystal Hightower PO Box 412 Hillsboro, Texas 76645 254-582-4000 www.hiltax.org
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What is a Declaration?

It's an annual report of your prior year's sales. It also provides HCAD with the current mailing address and location of your business.

When is my Annual Declaration due?

Your initial Annual Declaration is due within 30 days of opening an active license within the county of the physical dealer location. Annual Declarations are due annually thereafter on or before February 1, consisting of previous year's calendar monthly statements. (January 1st through December 31st.)

What is Special Inventory?

Special Inventory is how a county appraisal district appraises motor vehicle inventory for property tax purposes and how dealers pay their property taxes on this inventory.

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 and active beginning on the date the dealer number is issued and continues until the license is canceled or expires.

What is the Dealer Inventory Tax Statement?

The Inventory Tax Statement is a report of your prior month sales and shows payment of the Unit Property Tax on the sales.

When is the Dealer Inventory Tax Statement due?

It is due by the 10th of each month for the prior month's sales. For example, the Statement for the sales made in January 2024 is due by February 10th 2024.

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.

Are the special inventory Declaration or monthly Tax Statement confidential?

Yes.

Is there a fine or penalty for not filing the Declarations or Statements?

Yes

Late Payments 23.122 (o) An owner who fails to remit unit property taxes dues as required by this section shall pay a penalty of 5% of the amount due. If the amount is not paid within 10 days after the due date, the owner shall pay and additional penalty of 5% of the amount due.

Late Statements 23.122 (n) In addition to other penalties provided by law, a dealer who fails to file or fails to timely file a statement as required by this section shall forfeit a penalty. A tax lien attaches to the dealer's business person property to secure payment of the penalty. A penalty forfeited under this subsection is \$500 for each month or part of a month in which a statement is not filed or timely filed after it is due.

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 the ownership information, account number and write "No Sales" on the form before submitting it to the necessary offices.

Am I required to file a rendition?

All dealers must render their parts, accessories, and supplies owned on January 1. Also, the fixed assets used in the business are to be rendered. The rendition deadline is April 1. Do not include your vehicle inventory on the rendition.

If all sales are dealer to dealer, do I have to file?

Yes. All sales must be reported regardless of the type of sale. An exception to the rule is if your dealer is considered "Wholesale" only by the Texas Department of Motor Vehicles, this will allow you to opt out of reporting requirements.

If the sale is for export, is it required to be reported?

Yes. All sales of dealer inventory must be reported.

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.

Can I send in a computer listing of sales?

Yes, complete the breakdown summary section on the Dealer Inventory Statement, sign the Statement, and write "See attached" on the Statement. A report from your dealer software system may be substituted for the Statement form if it includes all information required on the Statement form.

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 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.

How do I report Auction Sales?

The sales price on your statement/declaration should include the cost for the auction to sell the vehicle. If the auction provides the selling dealer a document that includes the purchaser's name on it, this purchaser should be listed on the statement.

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 changes. 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.

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, the car is special vehicle inventory. If a dealer sells a car to a company 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.

What is a Consignment Sale?

The owner-authorized sale of a motor vehicle by a person other than the owner.

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.

Do I have to report consignment sales?

Yes, all consignment sales must be reported on the Monthly Inventory Tax Statement and the Annual Declaration.

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 the amount the dealer would have received from the sale. The tax is due on the whole sales price as mandated by the statute.

How is my dealership value determined?

In most cases, a dealer's value is determined by the dealership itself. Each dealership is required to file an Annual Declaration with the appraisal district, and a copy to the tax office, in the county where the dealer is physically located. The Annual Declaration is a summary of the previous year's sales divided by 12. The end value is applied to the current year multiplied by the current year's tax rate to generate a bill. If an Annual Declaration is not filed, the appraisal district will use best practices to determine the current year's value.

Will I be notified of my current year's value? What if I do not agree with the current year's value?

Yes, each dealer will receive a value notification from the appraisal district based on the previous year's Annual Declaration or best practices used by my appraisal district on or about April 1st of the current tax year. If the dealer does not agree with the value, the dealer should follow the usual protest procedures within the notice by May 15th or within 30 days of delivery of the notice of the appraised value.

Why did 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.

Can I opt-out of reporting monthly with an active license?

Yes, the dealership must file annually an election form if you meet the requirement and conditions of Dealer Election Form 50-815. The filing deadline is August 31 of current year for the following year's monthly reporting.

If I sell an inventory item out of county or out of state, do I still need to pay the Vehicle Inventory Tax (VIT)?

Yes, the inventory was sold/leased from within the county that's operating the license.

Will my dealership's VIT tax rate change from year to year? Why?

Yes, your dealer VIT rate is subject to change based on the dealership's physical location entities. At the end of each year, the taxing entities set their tax rates. Rates may stay similar from year to year keeping your VIT rate the same. Although, if rates change dramatically based on funds needed by the entity, the VIT rate may also change. Your dealership should always be using the VIT rate assigned by the Tax Assessor-Collector annually.

I paid into escrow on each sale during the year. Why would I owe more taxes after the 12 months of reporting and paying?

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, your dealership will owe more than you have placed in VIT escrow.

Do I need to pay Vehicle Inventory Tax (VIT) on dealer to dealer, fleet or subsequent sales?

No, VIT is only required on retail sales.

Do I need to collect VIT if my business begins after January 1? When should I start collecting and paying the VIT?

Your dealership is considered open as of the origination date of your active General Distinguishing Number (GDN). Although, you should not be collecting a VIT until after your first calendar year is complete. Starting January 1 of the year after the GDN was opened, VIT must be paid on a monthly basis on or before the 10th of each month (20th of the month for Heavy Equipment Dealers only) following the prior month's sales.

How is my dealership VIT rate calculated?

Each location in our county will have a specific tax rate. The tax rate for each location is divided by 12, then divided by 100 to come up with the per unit VIT tax rate.

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.

If I owe more taxes this year, can I collect more next year?

No, the formula for calculating your prepayments to county is based on the prior year's aggregate tax rate and can't be changed.

Who do I need to notify if my mailing address is different from the dealer physical location?

You must notify Hill County Appraisal District this is to receive your dealer's value notification and the tax office correspondence. You must also notify the agency in which you are licensed as a dealer.

Do I need to notify someone if my dealership is closing or moving?

Yes, notification should be to the Hill County Appraisal District and the Hill County Tax Office in writing. Notification is also required to the appropriate licensing authority (Texas Dept of Motor Vehicles, Texas Parks & Wildlife, or Texas Dept of Housing and Community Affairs.) Please include License Number, Business Name, Physical Location, and Signature or Name.

Why is it necessary to inform county and agencies of moved businesses or closed businesses?

There could be an additional tax that may be owed and subject to a lawsuit if delinquent, a business may be considered opened and valued from year to year until notified. Businesses are valued as of January 1 of each year.

If I move during the year, will my tax factor change?

No, the tax VIT tax rate is based on the January 1 location of the business. You will use the same VIT tax rate for the entire year. Your dealership will have a new VIT tax rate for the new location starting January 1.