Vehicle Privilege Tax

Technical issues

Presentation to

House Interim Committee on Revenue

Vehicle privilege tax—what is it?

- One-half of one percent (0.5%) tax imposed for the privilege of selling taxable motor vehicles in Oregon. Vehicle dealer responsible for tax; may pass on to purchaser.
- Taxable motor vehicle has 7,500 or fewer miles, not previously registered in Oregon, and GVWR of 26,000 pounds or less.
  - If no odometer, taxable if sold with manufacturer's certificate or statement of origin.
  - Subject to taxation if previous registration to the dealer was as a demonstrator.
- Approximately 450 tax accounts.

Vehicle privilege tax—what is it?

- Exemptions:
  - Purchaser is not resident of Oregon.
  - Purchaser is business where storage, use, or consumption will occur outside of Oregon.
  - Purchase made at event of no more than seven days where the public is charged admission and vehicles are sold at auction.
  - Dealer purchase for resale with resale certificate.
- Revenue Distribution:
  - $12 million annually to Zero-Emission Incentive Fund administered by DEQ, through 2023.
  - Remainder to Connect Oregon administered by ODOT.

Vehicle use tax—what is it?

- Companion to vehicle privilege tax. One-half of one percent (0.5%) tax imposed for the storage, use, or other consumption of taxable motor vehicles in Oregon when purchased from vehicle dealer. Amount of use tax is reduced by privilege, excise, sales, or other use tax imposed by any jurisdiction.
- Taxable motor vehicle has 7,500 or fewer miles, not previously registered in Oregon, and GVWR of 26,000 pounds or less.
  - If no odometer, taxable if sold with manufacturers certificate or statement of origin.
  - Subject to taxation if previous registration to the dealer was as a demonstrator.
- Purchaser is responsible for tax; however, vehicle dealer may collect and remit.
- DMV may not title/register taxable motor vehicle without evidence of use tax paid.
- Revenue Distribution—State Highway Fund administered by ODOT.

Vehicle Privilege and Use Tax programs

	Payments	
	January 1, 2018 to June 30, 2019	July 1, 2019 to December 31, 2019
Vehicle privilege	$34.2 million	$14.5 million
Vehicle use	$11.5 million	$3.2 million

Policy considerations

Information sharing between DOR and ODOT

- ORS 320.470 authorizes:
  - DOR to disclose information to ODOT for purposes of carrying out vehicle use tax provisions.
  - ODOT to disclose information to DOR related to vehicle use tax.
- ORS 822.035 authorizes ODOT to administer vehicle dealer certificate program, including regulations, inspection of records, and imposing sanctions for non-compliance.
- ORS 320.405 imposes tax “for the privilege of engaging in the business of selling taxable motor vehicles…”

Should the agencies have authority to disclose, for purposes of carrying out vehicle privilege tax provisions and administration of vehicle dealer certificate program?

Tax exemptions

- ORS 320.425—Dealer purchase with intent to resell is exempt from vehicle privilege and use taxes. (dealer may register vehicle to dealership)
- ORS 320.405—Vehicle previously registered in Oregon is not subject to vehicle privilege tax unless it was registered to a dealer for use as a demonstrator.

Should vehicle privilege tax apply when taxable motor vehicle was previously registered to a dealer for any purpose?

- ORS 320.425—Dealer not responsible for vehicle privilege tax when taxable motor vehicle is sold to a non-resident. (Non-resident may title vehicle in Oregon)

Should vehicle privilege tax apply when taxable motor vehicle is titled in Oregon to a non-resident?

Refund tax collected

- ORS 320.430 requires dealer to return privilege tax to purchaser for vehicle returned to dealer.

Should the dealer be required to refund privilege tax to the purchaser only when the dealer collected the tax from the purchaser?

Should the dealer be required to refund privilege tax to the purchaser when collected from purchaser in error?

Questions?

If you have additional questions after today, please contact:

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