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**FROM:** Debbie Whitley, ACM/Finance Director

**SUBJECT:** Personal Property Tax on Leased Vehicles

### **Background**

Prior to January 2, 2001 Texas cities received personal property taxes on leased vehicles. Municipalities were given the opportunity to opt out of assessing personal property tax on leased vehicles when Tax Code 11.252 was amended effective January 2, 2001. The city of Lake Worth did not opt out and still receives this tax revenue.

### **Exemptions**

Motor vehicles leased for personal use after January 2, 2001 may be exempt from personal property taxes. Texas Tax Code 11.252 defines these vehicles as passenger cars or trucks with a shipping weight of less than 9,000 pounds. The law defines "personal use" as fifty percent or more of the miles the motor vehicle is driven in a year are for non-income producing purposes. An exemption form may be completed and submitted to the Tarrant Appraisal District; however, this form is only applicable to school district and county taxes. This exemption does not apply to the municipalities that chose to continue collecting personal property taxes on leased vehicles.

### **Assessment of Personal Property Tax**

The personal property tax on leased vehicles is included as commercial property tax. The tax is assessed to the leasing company based on where the lessee resided on January 1 of the tax year. On October 1, the leasing company is billed by Tarrant County. The property tax is due by the following January 31<sup>st</sup>.

The taxable value is determined by the leasing company; the company is required to provide that information to the Tarrant Appraisal District. Tax accounts are set up for multiple vehicles for the leasing company. One tax account may be set up consolidating all vehicles held by the leasing company. It is difficult to get information on a single vehicle from TAD. According to the Texas Tax Code, appraisal districts are not required to list vehicles individually.

This document has been prepared to help explain the process, along with the attached FAQ's sheet, to inquiring citizens.

## **Property Tax on Leased Vehicles – Frequently Asked Questions**

**Summary:** All leased vehicles for lessees residing in the city of Lake Worth are taxable. The property tax is assessed to the leasing company based on the lessee's residence as of January 1 of each year. The tax bills are sent to the leasing companies in the following October and the bill are due the following January 31<sup>st</sup>.

**How is the taxable value of the vehicle determined?** The taxable value is determined by the leasing company who is required to send that information to the appraisal district.

**How can I verify the taxes paid by my leasing company on my vehicle?** The tax accounts are set up for multiple vehicles for the leasing company. One tax account could be set up consolidating tens or hundreds of vehicles held by the leasing company. It is difficult to get information on a single vehicle from the appraisal district. The best approach is to ask the leasing company for information on the value assigned to the vehicle and then calculate the tax based on the current city of Lake Worth tax rate.

**I filled out the form certifying my vehicle was only for personal use and thus not subject to property tax.** The city of Lake Worth taxes all leased vehicles, personal or business use, this form does not apply to city taxes. This form should exempt you from school district and county property taxes.

**When I leased the vehicle, I was told there would be no property taxes as it was for personal use.** Unfortunately, you were provided miss information. The city of Lake Worth taxes leased vehicles whether for personal or business use.

**I have moved out of the city of Lake Worth. Am I still liable for this tax?** The tax is assessed to the leasing company base on where the lessee resided on January 1 of the tax year. There is no pro-ration based on the lessee relocation during the year.

**I thought the law was changed several years ago to exempt personal use leased vehicles from property taxation.** Motor vehicles leased for personal use after January 2, 2001 may be exempt from property taxes. Tax Code 11.252 defines these vehicles as passenger cars or trucks with a shipping weight of less than 9,000 pounds. The law defines "personal use" as using the vehicles more than 50 percent of its mileage for activities that do not involve the productions for income.

**ORDINANCE NO. 682**

**AN ORDINANCE PROVIDING FOR THE TAXATION OF  
LEASED MOTOR VEHICLES PURSUANT TO TEXAS  
TAX CODE, SECTION 11.252.**


**WHEREAS**, the City Council of the CITY OF LAKE WORTH is of the opinion that the exemption of leased motor vehicles will detrimentally affect the budget of the City its ability to provide necessary City services as required to its citizens; and

**WHEREAS**, the Texas Legislature in enacting Texas Tax Code, Section 11.252 has given municipalities the ability to tax said vehicles by adopting an ordinance to that effect before January 1, 2002;


**NOW THEREFORE, BE IT ORDAINED** by the City Council that the CITY OF LAKE WORTH chooses not to exempt leased vehicles and will assess and levy ad valorem taxes on said vehicles as authorized by Texas Tax Code, Section 11.252.

**PASSED AND APPROVED** this 11<sup>th</sup> day of December, 2001.

**APPROVED:**

  
\_\_\_\_\_  
Walter Bowen, Mayor

**ATTEST:**

  
\_\_\_\_\_  
Joey Highfill, City Secretary

# Lessee's Affidavit of Primary Non Income Producing Vehicle Use

Appraisal District Name \_\_\_\_\_

Year \_\_\_\_\_

Section 11.252, Tax Code, provides that a vehicle is used primarily for non-income producing activities when 50 percent or more of the total mileage for a 12-month period was for non-income producing purposes.

**For the owner of a vehicle leased for personal use, this affidavit must be completed by the person leasing the vehicle. This document must then be retained by the owner of the leased vehicle and made available to the appraisal district, on request, for copying or inspection.**

## STEP 1: Provide Data About the Leased Vehicle

Your lease agreement or title should provide you with the information about your leased automobile required by Step 1.

Vehicle Identification Number \_\_\_\_\_

Year \_\_\_\_\_

Make \_\_\_\_\_

Body Style \_\_\_\_\_

Model \_\_\_\_\_

Empty Weight\* \_\_\_\_\_

Lease Date \_\_\_\_\_

Owner Name and Address \_\_\_\_\_

Lessee Name \_\_\_\_\_

Driver's License Number or Personal Identification Number.† \_\_\_\_\_

## STEP 2: Provide Information About Your Home Address

If you do not have a street address, please provide your mailing address.

Lessee Street or Mailing Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

ZIP Code \_\_\_\_\_

County Name \_\_\_\_\_

## STEP 3: Provide Information If Your Vehicle is Not at Home Address

If the vehicle is usually located at an address other than the home address you provided in Step 2, or if the address provided in Step 2 is a post office box or rural route, provide the physical address at which the vehicle is primarily located.

Vehicle Street Address \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_

ZIP Code \_\_\_\_\_

County Name \_\_\_\_\_

## STEP 4: Notary

Notarization by the person leasing the vehicle.

*I swear and affirm that I will not hold the vehicle for the production of income. The above described leased vehicle is used primarily for activities that do not produce income. I affirm that each item stated above is true and correct and I understand that if at any time this affidavit becomes inaccurate, I must notify the person from whom I leased the vehicle.*

**sign  
here** ➡\_\_\_\_\_  
Lessee Signature

**Subscribed and sworn** before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
Notary Public, State of Texas

\* If the empty weight of the leased vehicle exceeds 9,000 pounds, the vehicle does not qualify for this exemption.

† You are required to give us this information on this form, in order to perform tax related functions for this office. Section 11.43 of the Tax Code authorizes this office to request this information to determine tax compliance. The chief appraiser is required to keep the information confidential and not open to public inspection, except to appraisal office employees who appraise property and as authorized by Section 11.48(b), Tax Code.

**If you make a false statement on this form, you could be found guilty of a class A misdemeanor or state jail felony under Section 37.10, Penal Code.**