

== Alabama Department of Revenue ==

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Vehicle Owners Selling, Trading Automobiles after July 31 Can Claim Property Tax Credit

Montgomery, July 17, 2000—On August 1 a new state law will take effect that allows a vehicle owner to claim a tax credit on property taxes paid on a vehicle if the owner sells or trades the vehicle before the end of his or her current registration period.

Act 2000-565 amended portions of Alabama's Synchronized Taxation and Registration System (STARS) law, passed in 1999, which requires property taxes to be paid in advance on vehicles registered on or after Jan. 1, 2000. Under the 1999 law, if a vehicle owner sold his or her vehicle before the end of the current registration period, the owner could not claim a credit for taxes paid on the previously-owned vehicle and apply it to another vehicle. However, under the 1999 law, the new owner of the vehicle could claim a credit for taxes paid by the previous owner. Act 2000-565 reversed that procedure.

“Basically, the new law allows the vehicle owner who paid the taxes on the vehicle to claim any remaining credit of the property taxes applicable to the vehicle when it is sold or traded, and apply that credit to the newly-purchased ‘replacement’ vehicle,” explained State Commissioner of Revenue Michael L. Patterson.

The tax credit will be in the form of a credit voucher and will be issued to the vehicle owner(s) who paid property taxes on the vehicle. No cash refunds will be issued.

To claim the credit, the previous owner of the vehicle will need to provide county tax-collecting officials with a copy of the vehicle's bill of sale or a signed affidavit by both the new owner and previous owner, showing the date of the sale of the vehicle. The county tax-collecting official will then calculate any credit due to the previous owner for taxes he or she paid on the vehicle at the time the vehicle was registered. If, in the meantime, the previous owner has purchased a new or used vehicle to replace the “sold” vehicle, then the county tax-collecting

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official will apply any credit of property taxes paid on the previously-owned vehicle to the newly-purchased vehicle at the time the newly-purchased vehicle is registered.

In situations where there is not a “replacement” vehicle to register at the time the property tax credit application is made, the county tax-collecting official will issue the previous owner a credit voucher receipt. The credit voucher receipt is good for one year from the date it is issued by the county official. The credit voucher may be applied to property taxes due on any subsequent vehicle that is purchased by the individual or may be applied at the next registration renewal to another vehicle owned by the individual.

“There are several very important provisions of the new law that define the validity of the vehicle property tax credit voucher and we want to ensure that vehicle owners are aware of these,” said Patterson. “First, the new law requires the original credit voucher to be presented to the county tax-collecting official when claiming the property tax credit. The law does not provide for a duplicate or replacement voucher to be issued. It specifically states that the original must be presented in order to claim the credit. We urge individuals who receive a credit voucher to apply the credit voucher as soon as possible to avoid the risk of its being lost or destroyed,” said Patterson.

“Second, the property tax credit is not automatic. In order to claim the credit, the previous owner must apply for the property tax credit voucher within 60 days following the sale, trade, or other transfer of the vehicle. The law specifically states that no voucher will be issued later than 60 days after the date a motor vehicle is sold, traded, totally destroyed, permanently removed from Alabama, stolen without recovery, or otherwise transferred.

“Third, the credit voucher can be used only in the county where the original taxes were paid on the vehicle. For example, a former Montgomery County resident who paid state, Montgomery County, and Montgomery City taxes on a vehicle and received a credit cannot apply the Montgomery County and Montgomery City property tax credit to vehicle property taxes now due in his resident county of Autauga. The valid voucher, however, can be transferred to a spouse, dependent child, or to any person or corporation that rented or leased the motor vehicle from the owner, and applied to vehicles taxes due in the county where the original vehicle taxes were paid. The law prohibits the tax credit voucher from being sold or otherwise used,” explained Patterson.

For more information concerning vehicle property taxes, contact the Alabama Department of Revenue, Property Tax Division at (334) 242-1525, or visit the department’s Web site at www.ador.state.al.us.