

City and County of Denver, Colorado

TAX GUIDE

Topic No. 78

TRADE-INS

The amount allowed as a trade-in is a reduction from the taxable sales price when such traded-in property is to be resold in the usual course of the retailer's business. Sales/use tax is due on the net price paid by the purchaser, after reducing the taxable sales price by the amount of the trade-in. Out of state trade-ins are an allowable reduction to the purchase price.

Trade-ins not intended to be resold in the usual course of business cannot be excluded from the taxable selling price of the new item. Trade-ins sold by the retailer as "scrap" are considered to be sold in the usual course of the retailer's business activity.

EXAMPLE

- A. A person purchases a typewriter costing \$1000 from an office supply store, and receives a discount of \$150 for the trade-in of his old typewriter. The office supply store will clean and re-sell the old typewriter. The net taxable sale price in this case is \$850.
- B. Auto Dealer Joe accepts a trade-in vehicle for credit towards a new vehicle purchase. The trade-in is valued at \$2000.00. The Auto Dealer will resell the trade-in. The purchase price for the customer can be reduced or discounted \$2000.00 when the trade-in is accepted.

* DRMC Section 53-53(a)(21)(b)(2). Definitions – Purchase Price

* DRMC Section 53-54(2). Imposition of tax.

* DRMC Section 53-103(a)(23)(b)(2). Definitions – Purchase Price

* DRMC Section 53-104(2). Imposition of tax.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT DENVER TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE DRMC AND APPLICABLE RULES AND REGULATIONS.