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.