

# ~~State of Rhode Island – Division of Taxation~~

## ~~Sales and Use Tax~~

### ~~Regulation SU 11-109~~

#### ~~TRADE-IN DEDUCTION~~

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#### ~~RULE 1. PURPOSE~~

~~This regulation implements Chapter 44-18 and 44-19 of the Rhode Island General Laws. These Chapters provide for Sales and Use Taxes Liability and Computation and Sales and Use Taxes Enforcement and Collection in regard to trade-in deductions.~~

#### ~~RULE 2. AUTHORITY~~

~~This regulation is promulgated pursuant to RIGL Chapter 44-18 and 44-19 as amended. These rules have been prepared in accordance with the requirements of RIGL Chapter 44-1-1 et. seq. and 44-19-33.~~

#### ~~RULE 3. APPLICATION~~

~~The terms and provisions of these rules and regulations shall be liberally construed to permit the Department of Revenue to effectuate the purposes of RIGL Chapter 44-18 and~~

~~44-19 and other applicable state laws and regulations.~~

#### **~~RULE 4. SEVERABILITY~~**

~~If any provision of these rules and regulations, or the application thereof to any person or circumstances, is held invalid by a court of competent jurisdiction, the validity of the remainder of the rules and regulations shall not be affected thereby.~~

#### **~~RULE 5. DEFINITIONS~~**

~~“Automobile” means a private passenger automobile not used for hire, and does not refer to any other type of motor vehicle.~~

~~“Truck” means every motor vehicle designed, used, or maintained primarily for the transportation of property. The administrator of the division of motor vehicles shall determine, in case of doubt, if a motor vehicle is subject to registration as a truck.~~

#### **~~RULE 6. TRADE-IN ALLOWANCE~~**

~~In general, a deduction from the gross proceeds of a sale is not permitted for any credit allowed by the seller for a trade-in taken in exchange, or as a part payment, for the item sold. Tax applies to the full selling price of a taxable item sold regardless of any trade-in allowance.~~

~~RIGL 44-18-30(23) however does allow for a trade-in allowance on an automobile given by the buyer in trade to the seller of an automobile, towards the purchase of a new or used automobile. A motor home is treated as a private passenger vehicle which qualifies for the trade-in allowance.~~

##### ~~Example #1~~

~~A customer purchases an automobile from a dealership and trades in an automobile to the dealer (seller). The trade-in allowance is deducted from the sales price in determining the amount of the sale subject to tax.~~

##### ~~Example #2~~

~~A customer purchases an automobile from a dealership and trades in a truck to the dealer (seller). A deduction for the trade-in allowance is not allowed from the sales price in determining the amount of the sale subject to tax, since the vehicle traded in is a truck.~~

##### ~~Example #3~~

~~A customer purchases an automobile from a dealership and trades in an automobile to the~~

~~dealer (seller). In addition, the customer receives a manufacturer's rebate on the purchase of the automobile. Both the trade-in allowance and the amount of the manufacturer's rebate are deducted from the sales price in determining the amount of the sale subject to tax.~~

**~~RULE 7. — EFFECTIVE DATE~~**

~~This regulation shall take effect on October 1, 2011 and shall amend and supercede regulation SU 94-109 promulgated January 1, 1994.~~

**~~RULE 8. — CROSS REFERENCES~~**

~~CROSS REFERENCE: SU 03-72 "Motor Vehicles — Trade-In Allowance"~~

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