

COMAR Regulations for Trade-In Allowance

.01 Applicability.

This chapter applies to the use of a dealer trade-in allowance to determine the total purchase price of a vehicle that is used to calculate the excise tax remitted when purchasing another vehicle.

.02 Purpose.

The purpose of this chapter is to establish the requirements and guidelines for calculating the total purchase price of a vehicle when there is a dealer trade-in allowance, as set forth in Transportation Article, §13-809, Annotated Code of Maryland.

.03 Definitions.

A. In this chapter, the following terms have the meanings indicated.

B. Terms Defined.

(1) "Administration" means the Motor Vehicle Administration.

(2) "Certified selling price" means the full price of the vehicle purchased before the trade-in allowance is deducted.

(3) "Dealer" has the meaning stated in Transportation Article, §11-111, Annotated Code of Maryland.

(4) Lease.

(a) "Lease" means a signed contract or agreement for the rental or leasing of a vehicle for more than 180 consecutive days.

(b) "Lease" includes a lease where the vehicle is intended or not intended as security as defined in Transportation Article, §11-127.1, Annotated Code of Maryland.

(5) "Leased vehicle" means a vehicle acquired from a dealer, by the lessor, for lease of the vehicle to a lessee for payment under the terms and conditions of a lease.

(6) "Lessee" means a person or entity who, under the terms and conditions of a lease made at the time of acquisition from a dealer, has possession of the leased vehicle.

(7) "Lessor" means a person or entity who, at the time of acquisition from a dealer, relinquished possession of the vehicle to a lessee under the terms and conditions of the lease.

(8) "Nonleased vehicle" means a vehicle in which a person or business entity holds both title to, and possession of, the vehicle.

(9) "Taxable price" means the total purchase price as stated in Transportation Article, §13-809, Annotated Code of Maryland.

(10) "Trade-in" means a vehicle assigned to a dealer for the purpose of receiving a deduction in value that is applied to the purchase price of another vehicle.

(11) "Trade-in allowance" means the amount determined by the dealer that is deducted from the purchase price of another vehicle.

.04 Total Purchase Price.

A. The total purchase price or taxable price of a vehicle is determined by the certified selling price agreed on by the buyer and the seller, including any dealer processing charges as defined in Transportation Article, §15-311.1, Annotated Code of Maryland, less an allowance for the trade-in. There is no other nonmonetary consideration.

B. The taxable price of the vehicle shall include:

- (1) The retail purchase price;
- (2) The shipping or freight charges;
- (3) After manufacture items included with the vehicle at time of purchase; and
- (4) Manufacturer rebates.

D. A dealer may not include the cost for any nontaxable items when determining the taxable price of the vehicle. Nontaxable items include:

- (1) Dealer trade-in allowance;
- (2) Dealer discounts or rebates;
- (3) Extended warranties;
- (4) Mechanical repair contracts;
- (5) Federal excise tax;
- (6) Electronic registration fee; and
- (7) Equipment installed to accommodate a disabled person.

.05 Trade-in Allowance.

A. A dealer determines the trade-in allowance that is deducted from the purchase price of another vehicle. The amount of the trade-in allowance may not exceed the trade-in value indicated in the national publication of used car values adopted for use by the Administration.

B. A trade-in allowance may not be divided or deducted from the purchase price of more than one vehicle.

C. The trade-in allowance shall be limited to the vehicle with the highest trade-in value.

D. A vehicle titled in Maryland or out-of-State may be used as a trade-in.

E. If the vehicle traded-in is subject to a lien, the owner or co-owners of the vehicle are entitled to the full trade-in allowance, as stated in §A of this regulation, and deducted from the total purchase price. The trade-in allowance is not limited to the amount of equity the owner has in the vehicle.

.06 Applying the Trade-in Allowance.

A. When applying a trade-in allowance to the certified selling price to determine the taxable price of the vehicle purchased, the dealer shall complete one of the following forms:

- (1) Application for Certificate of Title (VR-5);
- (2) Maryland Dealers Reassignment (VR-182);
- (3) Dealers Reassignment on the reverse side of the Maryland Certificate of Title (VR-2);

(4) The Dealer's or Auto Wreckers Re-Assignment on the reverse side of the Maryland Salvage Certificate (VR-108); or

(5) The Dealer's Reassignment on the reverse side of the Maryland Notice of Security Interest Filing (VR-2), if the dealer is selling a repossessed vehicle.

B. When applying a trade-in allowance, a dealer shall:

(1) Complete the Maryland Dealer's Certification portion of the application for title; or

(2) Provide an original bill of sale showing the certified selling price and amount of the trade-in allowance.

C. The dealer shall determine and enter on the Maryland Dealer's Certification portion of the application for title:

(1) The certified selling price;

(2) The trade-in allowance;

(3) The taxable price of the vehicle by deducting the amount of the trade-in allowance from the certified selling price;

(4) The gross tax remitted by calculating the applicable excise tax rate times the taxable price; and

(5) For licensed Maryland dealers, the net tax remitted by:

(a) Multiplying 1.2 percent times the gross tax remitted; and

(b) Subtracting the result from the gross tax collected.

D. When the trade-in allowance is equal to, or higher than, the total purchase price, the excise tax shall be \$0.

E. When the excise tax is exempt under Transportation Article, §13-810, Annotated Code of Maryland, or calculated as \$0 as set forth in §D of this regulation, no additional allowance or refund shall be given to the purchaser of the vehicle.

F. When a certificate of title or a dealer reassignment is submitted without the required Maryland Dealer's Certification showing the trade-in allowance information on the form, a dealer shall submit with the certificate of title or a dealer reassignment:

(1) A completed Application for Certificate of Title (VR-5) containing the required certification; or

(2) An original bill of sale showing the:

(a) Purchase price and the amount of trade-in allowance;

(b) Vehicle identification number of the trade-in vehicle; and

(c) State in which the trade-in vehicle was last titled.

.07 Qualifications for Trade-in Allowance.

A. A trade-in allowance under Transportation Article, §13-809(a)(3)(i), Annotated Code of Maryland, shall only apply when:

(1) The owner or co-owner of the trade-in vehicle is the owner or co-owner of the vehicle being purchased; or

(2) The owner or co-owner of the trade-in vehicle is a relative as defined in §B of this regulation of the owner or co-owner of the vehicle being purchased.

B. In this regulation, a relative means a spouse, son, daughter, grandchild, parent, sister, brother, grandparent, father-in-law, mother-in-law, son-in-law, or daughter-in-law of the owner or co-owner of the trade-in vehicle and is the owner or co-owner of the vehicle being purchased.

C. For a relative who qualifies for a trade-in allowance, the dealer shall submit an application for a certificate of title to the Administration with:

(1) A completed application for Maryland Gift Certification (VR-103) certifying the relationship to the owner or co-owner of the trade-in vehicle and vehicle being purchased; and

(2) Proof of the relationship if the last names of the relatives are different.

D. A trade-in allowance may be applied when the owner of the trade-in vehicle is the primary beneficiary of an inter-vivos trust and the purchased vehicle is in the name of the inter-vivos trust.

.08 Trade-in Allowance for Leased Vehicles.

A. A trade-in allowance under Transportation Article, §13-809(a)(3)(ii), Annotated Code of Maryland, may be applied to the purchase price of a leased vehicle if:

(1) The trade-in is in the same owner's name as the name of the lessee on the purchased vehicle; or

(2) The vehicle is:

(a) Owned by the same leasing company purchasing the vehicle;

(b) Being assigned to the dealer; and

(c) Becoming a part of the dealers inventory for resale.

B. A trade-in does not include a vehicle acquired by a dealer but not assigned to a dealer.