

Instructions for Collecting Vehicle Sales Tax from Buyers Who Will Register and Title Their Vehicle in Another State

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Sales tax must be collected on vehicles bought and delivered in Michigan for titling and registration in another state. Below is a summary of the law pertaining to the collection of that tax.

1. The Michigan sales tax on a retail sale of a vehicle to a person who obtains a special registration (14-day in-transit) cannot exceed the sales tax that would have been charged by the other state. (See "Special Registration" below.)
2. The sale of a motor vehicle is **exempt** from Michigan sales tax if the vehicle will be titled and registered in one of the following exempt or non-reciprocal states.

Exempt States: Alaska, Delaware, Montana, New Hampshire and Oregon. These states have no sales tax. New Mexico has no sales tax on vehicles.

Non-Reciprocal States: Arkansas, the District of Columbia, Georgia, Maryland, Mississippi, Nebraska, North Carolina, Oklahoma, South Carolina, South Dakota and West Virginia.

Non-reciprocal states impose a use tax even though the sales tax was paid in another state. To avoid double taxation, vehicles to be titled and registered in these states are exempt from Michigan sales tax.

To determine the tax due for vehicles to be titled in all other states, refer to the examples provided below and the sales tax table on page 2.

3. If a special registration (14-day in-transit) is not obtained, Michigan sales tax is due on vehicles purchased and delivered in Michigan for titling and registration in another state, including exempt states noted in item 2.

Special Registration. Vehicle dealers will use form RD108 when a special registration is obtained. The RD108 must contain: 1) a statement that the vehicle will be removed from this state for titling and registration in another state (in the "Remarks" section); and 2) the out-of-state address of the registrant.

Dealers must retain all RD108's for documentation at audit.

Trade-in Allowance. Effective January 1, 2017 through December 31, 2017 motor vehicles and recreational vehicles traded in to dealers towards the purchase of a new or used motor vehicle or recreational vehicle receive a credit of the trade-in vehicle's value or \$3,500, whichever is lower. This is subtracted from the purchase price of the vehicle.

Foreign Registration. Persons buying vehicles for titling and registration in another country must pay 6 percent Michigan sales tax.

Calculating the Michigan Sales Tax

1. Compute the other state's sales tax, reduced by the trade-in allowance permitted in that state. See the SALES TAX TABLE on page 2.
2. Compute Michigan sales tax, reduced by the trade-in allowance, by multiplying the value of the vehicle by 6% (.06).
3. Michigan sales tax due is #1 or #2, whichever is less.

Example A: Vehicle to be titled and registered in Iowa.	Example B: Vehicle to be titled and registered in California.
$\begin{array}{r} \text{\#1} \quad \$10,000.00 \\ \quad \underline{-3,500.00} \quad (\text{Trade-in allowed in Iowa}) \\ \quad \$6,500.00 \\ \quad \times \quad 5\% \quad (\text{Sales tax rate in Iowa}) \\ \quad \hline \quad \$ \quad 325.00 \quad \text{Iowa sales tax} \end{array}$	$\begin{array}{r} \text{\#1} \quad \$10,000.00 \quad (\text{No trade-in allowed in California}) \\ \quad \times \quad 6.5\% \quad (\text{Sales tax rate in California}) \\ \quad \hline \quad \$ \quad 650.00 \quad \text{California sales tax} \end{array}$
$\begin{array}{r} \text{\#2} \quad \$10,000.00 \\ \quad \underline{-3,500.00} \quad (\text{Trade-in allowed in Michigan}) \\ \quad \$6,500.00 \\ \quad \times \quad 6\% \quad (\text{Sales tax rate in Michigan}) \\ \quad \hline \quad \$ \quad 390.00 \quad \text{Michigan sales tax} \end{array}$	$\begin{array}{r} \text{\#2} \quad \$10,000.00 \\ \quad \underline{-3,500.00} \quad (\text{Trade-in allowed in Michigan}) \\ \quad \$6,500.00 \\ \quad \times \quad 6\% \quad (\text{Sales tax rate in Michigan}) \\ \quad \hline \quad \$ \quad 390.00 \quad \text{Michigan sales tax} \end{array}$
In Example A, the Michigan sales tax due is \$325.	In Example B, Michigan sales tax due is \$390.00.

Sales Tax Table
SALES TAX RATES
AND TRADE-IN ALLOWANCES

<u>State</u>	<u>100% Trade-in Allowed</u>	<u>Tax Rate</u>
Alabama	YES	2% for vehicles
Arizona	YES	5.6%
California	NO	6.5%
Colorado	YES	2.9%
Connecticut	YES	6.35%
Florida	YES	6%
Hawaii	YES	4%
Idaho	YES	6%
Illinois	YES	6.25%
Indiana	YES	7%
Iowa	YES	5% for vehicles
Kansas	YES	6.3%
Kentucky	YES	6%
Louisiana	YES	4%
Maine	YES	5%
Massachusetts	YES	6.25%
Michigan	YES- vehicle value or \$3,500.00 whichever is lower	6%
Minnesota	YES	6.5% for vehicles
Missouri	YES	4.225%
Nevada	YES	6.85%
New Jersey	YES	6.875%
New York	YES	4%
North Dakota	YES	5%
Ohio	YES - new motor vehicle purchases only	5.75%
Pennsylvania	YES	6%
Rhode Island	YES - passenger cars only	7%
Tennessee	YES	7%
Texas	YES	6.25%
Utah	YES	4.70%
Vermont	YES	6%
Virginia	NO	4.15% - \$75 minimum for vehicles
Washington	YES	6.5%
Wisconsin	YES	5%
Wyoming	YES	4%