



STATE OF MICHIGAN  
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DEPARTMENT OF STATE  
LANSING

## Vehicle Sales Tax Trade-in Credit – Frequently Asked Questions

October 18, 2023

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**1. How is the amount of sales tax credit determined for a trade-in on the purchase of a motor vehicle?**

Effective January 1, 2019, the trade-in credit towards sales tax for vehicles delivered on or after January 1 is the price agreed to by the dealer and purchaser for the trade-in vehicle not to exceed \$5,000. This amount will increase by an additional \$1,000 on January 1<sup>st</sup> of each year. This process will continue until the trade-in credit exceeds \$14,000 (i.e., 2029). At that time, purchasers will receive sales tax credit for the full amount (100%) of the trade-in vehicle towards their purchase of a vehicle as defined by the Michigan Vehicle Code. See [Revenue Administrative Bulletin 2022-17](#) for further details.

**2. How is the amount of sales tax credit determined for a trade-in on the purchase of a recreational vehicle?**

Effective January 1, 2018, the trade-in credit equals the full agreed-upon value of a recreational vehicle (RV) used toward the purchase of an RV purchased from a dealer. To qualify for a sales tax credit, a recreational vehicle must be traded-in towards the purchase of another recreational vehicle as defined by the Michigan Vehicle Code. Those include, but are not limited to a trailer coach, a fifth wheel, a pop-up camper, and a motorhome. Like watercraft, owners receive 100% sales tax trade-in credit towards the purchase of another recreational vehicle. See [Revenue Administrative Bulletin 2022-17](#) for further details.

**3. How do I reach Treasury for assistance with sales tax and trade-in questions?**

Vehicle dealers with trade-in questions may contact Treasury's Technical Services Section at 517-636-4230, option 3 or via email at [Treas-SUWTech@michigan.gov](mailto:Treas-SUWTech@michigan.gov).

**4. Can my customer receive a credit of sales tax when they trade-in a vehicle towards the lease of a vehicle?**

No, the lease of a vehicle is subject to Michigan use tax, not sales tax. The sales tax statutes for trade-in's does not extend to leased vehicle transactions.

**5. Has the amount of trade-in entered on line 10 of the RD-108 changed?**

No, there are no changes to line 10. This amount does not change and the full amount the dealer accepts for the trade-in is still entered on line 10 of the RD-108.

**6. Can a motorcycle, moped, snowmobile, or off-road vehicle be taken as an eligible trade-in on a vehicle purchase?**

Yes, any vehicle meeting the Michigan Vehicle Code definition of a motor vehicle is eligible for the trade-in credit.

**7. Can a utility trailer be taken as an eligible trade-in on a vehicle purchase?**

No. A utility trailer does not meet the Michigan Vehicle Code definition of a motor vehicle and is not eligible for the trade-in credit.

**8. Can valuables such as jewelry, coins, or other tangible items be taken as an eligible trade-in on a vehicle purchase?**

No. The sales tax trade-in laws only provide a credit towards sales tax on eligible motor vehicles when the customer is purchasing a motor vehicle.

**9. Can an electric bicycle, electric carriage, or a mobile home be taken as an eligible trade-in on a vehicle purchase?**

No. These items do not meet the Michigan Vehicle Code definition of a motor vehicle.

**10. Can anything other than a recreational vehicle qualify as an eligible trade-in on the purchase of a recreational vehicle?**

No. Only recreational vehicles as defined by the Michigan Vehicle Code may be used as an eligible trade-in for credit towards sales tax due.

**11. Can watercraft be taken as an eligible trade-in on a vehicle purchase?**

No. Watercraft may only be traded towards the purchase of another watercraft. In this situation, the purchaser will receive 100% credit towards their purchase, just like recreational vehicles.

**12. Can a vehicle not owned by the purchaser be used as an eligible trade-in on a purchase of a vehicle?**

Yes. The trade-in credit applies when a vehicle dealer accepts a trade-in on a vehicle the purchaser does not own. The dealer must receive the trade-in on a properly assigned title from the owner of the trade-in vehicle.

**13. Can more than one vehicle be used as a trade-in credit on the purchase of a vehicle?**

No. Only one vehicle can be used toward the trade-in credit. If two or more vehicles are traded in, the customer will only receive credit for one of the vehicles for sales tax purposes.

**14. Can the trade-in credit be applied when the purchaser is a non-resident?**

This will be determined by calculating two outcomes for sales tax. The first will be based on Michigan's sales tax rate and trade-in laws. The second will be based on the purchaser's home state sales tax rate and trade-in laws. The Michigan dealer will collect the lesser of the two sales tax calculations. Please see [form 485](#) for further details.