

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

Generally, sales tax must be collected on vehicles bought and delivered in Michigan which are to be titled and registered in another state or country. However, if the seller delivers, or if a shipping company (common carrier) is hired to deliver the vehicle to an address outside Michigan, then no sales tax is due. Below is a summary of the law pertaining to the collection of sales 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 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 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. Michigan and many other states allow for a reduction to the price subject to tax by the value of a vehicle traded in toward the purchase of the new vehicle. Other states' allowances are summarized on page 2. Michigan allows the following:

Motor Vehicles: Effective January 1, 2019 through December 31, 2019, the agreed-upon value of a motor vehicle used as part payment of the purchase price toward a new or used motor vehicle purchased from a dealer or \$5,000, whichever is less, may be used to reduce the sales price.

Recreational Vehicles: Effective January 1, 2018, the agreed-upon value of a recreational vehicle used as part payment of the purchase price toward a recreational vehicle purchased from a dealer may be used to reduce the sales price included in the tax base. There is no limit on the value of a trade-in for purchases of recreational vehicles.

Calculating the Michigan Sales Tax

1. Compute the other state's sales tax, reducing the sales price of the vehicle by the trade-in allowance permitted in that state. See the Sales Tax Table below.
2. Compute Michigan sales tax by multiplying the sales price of the vehicle, reduced by the trade-in allowance, by 6% (0.06).
3. Michigan sales tax due is the result of #1 or #2, whichever is less.

Example A: Motor vehicle to be titled and registered in Iowa.	Example B: Motor vehicle to be titled and registered in California.																																																												
<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; padding: 2px;">#1</td> <td style="width: 15%; padding: 2px;">\$10,000.00</td> <td style="width: 80%; padding: 2px;"></td> </tr> <tr> <td></td> <td style="padding: 2px;"><u>-6,000.00</u></td> <td style="padding: 2px;">(100% trade-in allowed in Iowa)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$4,000.00</td> <td style="padding: 2px;"></td> </tr> <tr> <td></td> <td style="padding: 2px;">x 5%</td> <td style="padding: 2px;">(Sales tax rate in Iowa)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$ 200.00</td> <td style="padding: 2px;">Iowa sales tax</td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td style="padding: 2px;">#2</td> <td style="padding: 2px;">\$10,000.00</td> <td style="padding: 2px;"></td> </tr> <tr> <td></td> <td style="padding: 2px;"><u>-5,000.00</u></td> <td style="padding: 2px;">(Trade-in allowed in Michigan)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$5,000.00</td> <td style="padding: 2px;"></td> </tr> <tr> <td></td> <td style="padding: 2px;">x 6%</td> <td style="padding: 2px;">(Sales tax rate in Michigan)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$ 300.00</td> <td style="padding: 2px;">Michigan sales tax</td> </tr> </table> <p style="margin-top: 5px;">In Example A, sales tax due is \$200.00.</p>	#1	\$10,000.00			<u>-6,000.00</u>	(100% trade-in allowed in Iowa)		\$4,000.00			x 5%	(Sales tax rate in Iowa)		\$ 200.00	Iowa sales tax				#2	\$10,000.00			<u>-5,000.00</u>	(Trade-in allowed in Michigan)		\$5,000.00			x 6%	(Sales tax rate in Michigan)		\$ 300.00	Michigan sales tax	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 5%; padding: 2px;">#1</td> <td style="width: 15%; padding: 2px;">\$10,000.00</td> <td style="width: 80%; padding: 2px;">(No trade-in allowed in California)</td> </tr> <tr> <td></td> <td style="padding: 2px;">x 6.5%</td> <td style="padding: 2px;">(Sales tax rate in California)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$ 650.00</td> <td style="padding: 2px;">California sales tax</td> </tr> <tr><td colspan="3"> </td></tr> <tr> <td style="padding: 2px;">#2</td> <td style="padding: 2px;">\$10,000.00</td> <td style="padding: 2px;"></td> </tr> <tr> <td></td> <td style="padding: 2px;"><u>-5,000.00</u></td> <td style="padding: 2px;">(Trade-in allowed in Michigan)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$5,000.00</td> <td style="padding: 2px;"></td> </tr> <tr> <td></td> <td style="padding: 2px;">x 6%</td> <td style="padding: 2px;">(Sales tax rate in Michigan)</td> </tr> <tr> <td></td> <td style="padding: 2px;">\$ 300.00</td> <td style="padding: 2px;">Michigan sales tax</td> </tr> </table> <p style="margin-top: 5px;">In Example B, sales tax due is \$300.00.</p>	#1	\$10,000.00	(No trade-in allowed in California)		x 6.5%	(Sales tax rate in California)		\$ 650.00	California sales tax				#2	\$10,000.00			<u>-5,000.00</u>	(Trade-in allowed in Michigan)		\$5,000.00			x 6%	(Sales tax rate in Michigan)		\$ 300.00	Michigan sales tax
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Sales Tax Table

SALES TAX RATES AND TRADE-IN ALLOWANCES

State	100% Trade-in Allowed	Tax Rate
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: Motor Vehicles	Vehicle value or \$5,000.00 whichever is less	6%
Michigan: Recreational Vehicles	YES	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	YES	4.15% - \$75 minimum for vehicles
Washington	YES	6.5%
Wisconsin	YES	5%
Wyoming	YES	4%