



MICHIGAN DEPARTMENT OF STATE

Ruth Johnson, Secretary of State

Lansing, Michigan 48918-0001

Vehicle Sales Tax Trade-in Credit – Frequently Asked Questions

December 2016

1. What is the RD-108T Supplemental Vehicle Trade-In Sales Tax Credit Form?

The RD-108T form enables customers to clearly see and understand the application of the trade-in sales tax credit. The RD-108T form must be submitted with each trade-in vehicle transaction where sales tax is being collected.

2. How is the amount of sales tax trade-in credit determined?

For vehicles delivered through December 31, 2016, the sales tax trade-in credit amount is the price agreed to by the dealer and purchaser for the trade-in vehicle not to exceed **\$3,000**. Effective January 1, 2017 the sales tax trade-in credit amount 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 **\$3,500**.

3. Which sales tax trade-in credit amount is applied if the vehicle was purchased in December of 2016 and delivered in January 2017?

The delivery date on the RD-108 determines which sales tax trade-in credit amount maximum is applied. As an example, if a vehicle was purchased on December 30, 2016 and delivered on January 2, 2017 the sales tax trade-in credit amount is not to exceed **\$3,500**.

4. Why is the delivery date important in determining the application of the sales tax trade-in credit?

The delivery date determines which sales tax trade-in credit amount is properly applied. The Michigan Vehicle Code [MCL 257.254(4)(a)(b)] states in substantial part, “A retail vehicle sale is void unless both of the following conditions are met: The sale is evidenced by a written memorandum that contains the agreement of the parties and is signed by the buyer and the seller and **actual delivery of the vehicle is made to the buyer.**”

5. Can the delivery date and the purchase date on the RD-108 be different?

Yes, the purchase date indicates the day the vehicle was purchased by the buyer. The delivery date is the day the purchaser actually takes physical delivery of the vehicle from the selling vehicle dealer.

6. How do I know if I'm using the right RD-108T form?

The 2017 edition of the RD-108T form is available on-line and has been enhanced to accept both the 2016 and 2017 maximum sales tax trade-in credit limits based on the entered Delivery Date.

7. Is the delivery date something that the buyer agrees to on the purchase date when they sign the RD-108T?

There are two lines located on the upper left corner of the RD-108 identifying two separate dates. The purchase date identifies the date of the purchase. The delivery date identifies the date actual delivery of the vehicle is made to the buyer.

8. What happens if the buyer purchases in December 2016, the deal and tax are calculated with a December delivery date, but the car is not ready on the delivery date, or the buyer is tardy, resulting in the new car not delivered until January 2017?

If actual delivery of the vehicle occurs in January then the maximum sales tax trade-in credit is \$3,500. A new RD-108 and RD-108T will be required reflecting the January sale delivery and the 2017 sale tax trade-in credit.

9. In the above scenario, what if the RD-108 was already submitted to the Secretary of State and has been processed?

If a \$3,000 trade-in credit was allowed for an anticipated December 2016 delivery date, the RD-108 was submitted to the SOS and processed, and the vehicle was actually delivered in January 2017, and eligible for a \$3,500 trade-in credit; dealers can request a refund from Treasury on behalf of the customer for the tax paid on the additional \$500.

10. How do I reach Treasury for assistance with sales tax & trade-in questions?

Dealers with trade-in sales tax credit questions may contact Treasury's Technical Services Section at (517) 636-4357 or e-mail the Michigan Department of Treasury's Sales, Use & Withholding Taxes website at treasSUW@michigan.gov

11. Must the delivery date on the RD-108T match the delivery date the RD-108?

Yes; the delivery dates on the RD-108 and the RD-108T must match.

12. What is the proper formatting for entering the delivery date on RD-108T?

The date entered in this field must be entered in day, month, and year formatting (00/00/0000). Be sure to include the slash marks dividing day, month, and year.

13. Which VIN is entered on the RD-108T?

The VIN of the purchased vehicle is entered on the form.

14. Do I submit the copy or the original RD-108T to the Secretary of State?

The dealer submits a **copy** of the completed and signed RD-108T form to the branch and retains the original form with other required dealer records for five years. The dealer then provides the customer with a copy.

15. Who must sign the RD-108T?

The purchaser and the dealer (or dealer representative) sign the form and legibly print their names and date the form. If there is more than one purchaser, only one purchaser is required to sign the form.

16. Is page 2 of the RD-108T instruction form submitted with the trade-in transaction?

No, the instructions on page 2 are simply directions provided to the dealer including steps to properly complete and submit the RD-108T form.

17. Are there any situations when the RD-108T Supplemental Trade-In Sales Tax Credit Form is not required for a trade-in sales tax credit?

The RD-108T is required with all RD-108 transactions except:

- a) Leased vehicle transactions. Leased vehicles do not qualify for trade-in credit.
- b) RD-108 transactions where no tax is being collected. This typically involves a sale to a qualifying tax exempt entity (e.g., nonprofit organization, government unit, Native American Resident Tribal Member, etc.).

18. Must the Secretary of State's RD-108T form be used exclusively?

The department expects dealers to use the RD-108T published by the Secretary of State exclusively. Dealers using services provided by Dealer Management Systems (DMS) may replicate the form providing it maintains the same content and substantially the same format as the department's version.

19. Can a trade-in sales tax credit be applied to a lease vehicle transaction?

No, the trade-in credit laws do not provide for trade-in tax sales tax credit for leased vehicles. The RD-108T form is not needed with leased vehicle transactions.

20. Will the sales tax calculation on the RD-108 change?

There are additional requirements and calculations on transactions involving trade-ins. Instructions listed on the second page of the RD-108T indicate the steps to determine the sales tax due when a transaction includes a trade-in.

21. Has the amount of the trade-in entered on line 9 of the RD-108 changed?

No, there are no changes to line 9. This amount does not change and the full amount the dealer accepts for the trade-in is still entered on line 9 of the RD-108.

22. Is a motorcycle, moped, or motor home taken as a trade-in eligible for the trade-in sales tax credit?

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

23. Is a utility trailer taken as a trade-in eligible for the trade-in sales tax credit?

No, by definition, a utility trailer is not a motor vehicle or a recreational vehicle and is not eligible for trade-in sales tax credit.

24. Can valuables such as jewelry, coins, or collectibles taken as a trade-in receive sales tax credit?

No, the sales tax trade-in credit laws only provide a sales tax credit trade-in on eligible motor vehicles and recreational vehicles.

25. Is a recreational vehicle including a trailer coach, fifth-wheel, or pop-up camper taken as a trade-in eligible for the trade-in sales tax credit?

Yes, any vehicle meeting the Michigan Vehicle Code definition of a motor home, recreational vehicle, or trailer coach is eligible for the trade-in sales tax credit.

26. Is a snowmobile, off-road vehicle, or a mobile home taken as a trade-in eligible for the trade-in sales tax credit?

No, any conveyance of a type that **cannot** be registered for on road use is **not** eligible for the trade-in sales tax credit.

27. Is a watercraft taken as a trade-in for a motor vehicle eligible for the trade-in sales tax credit?

No, watercraft trade-in sales tax credit can only be applied when a titled watercraft is taken as a trade-in towards the purchase of another titled watercraft.

28. Is the trade-in sales tax credit applied when the purchaser is a non-resident?

Yes, dealers will calculate the Michigan sales tax applying the trade-in sales tax credit and then make a separate calculation applying the purchaser's home state sales tax rate. The Michigan dealer collects the lower of the two sales tax calculations.

29. If a Michigan resident buys a vehicle from an out-of-state dealer is the purchase eligible for the trade-in sales tax credit?

Yes, the trade-in sales tax credit can be applied to a purchase from an out-of-state vehicle dealer.

30. Is a vehicle taken as a trade-in the purchaser does not own eligible for the trade-in sales tax credit?

Yes, the trade-in sales tax 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.

31. Can more than one vehicle be used as trade-in credit?

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

32. Where can I obtain the RD-108T form?

You can access the link to Automotive Related Businesses on the Secretary of State's website and click on the following link to forms:

http://www.michigan.gov/sos/0,4670,7-127-49534_50304---,00.html

Here you will find links to two versions of the RD-108T.

One version allows on line entry of sales price and trade-in credit amounts, and then calculates the total taxable price and sales tax due. The other version does not perform calculations and is used when hand written entries are entered. Either form is printable and can be used to comply with the requirements of the new public acts.

33. What if I have questions?

Questions can be directed to the Secretary of State Website mailbox:

<http://www.michigan.gov/sos/0,4670,7-127-13162-25634--,00.html>

Questions may also be directed to the Department of State Information Center toll-free number at (888) 767-6424 8:30 a.m. to 5:00 p.m. Monday through Friday.

Dealers with sales tax questions may contact Treasury's Technical Services Section at (517) 636-4357 or e-mail the Michigan Department of Treasury's Sales, Use & Withholding Taxes website at treasSUW@michigan.gov