2024 Instructions for Michigan Vehicle Dealers Collecting Sales Tax from Buyers Who Will Register and Title Their Vehicle in Another State or Country

This form provides guidance on Michigan sales tax due when a non-Michigan resident takes delivery in Michigan but will title and register the vehicle in another state.

Generally, Michigan sales tax is due if a customer purchases and takes delivery of a vehicle in Michigan but will title and register it in another state or country. However, if the seller or purchaser hires a shipping company (common carrier) to deliver the vehicle to an address outside Michigan, no Michigan sales tax is due.

Regardless of the delivery method or Michigan sales tax obligation, the purchaser may have additional state or local taxes/fees due in their home state or country.

A special registration (60-day in-transit) must be issued on the retail sale of a vehicle that will be titled and registered in the purchaser's home state. Sellers still need to document this transaction with form RD108 containing:

i. a statement in the "Remarks" section that the vehicle will be removed from the state of Michigan to be titled and registered in another state.

ii. the out-of state address of the purchaser/registrant.

If a special registration is not issued, Michigan sales tax is due for vehicles purchased and delivered in Michigan.

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 have no sales tax in general or no sales tax on vehicles. Exempt states: Alaska, Delaware, Montana, New Hampshire, New Mexico and Oregon.

Non-Reciprocal states impose a use tax even though sales tax was paid in another state. Non-Reciprocal states: Arkansas, the District of Columbia, Georgia, Maryland, Mississippi, Nebraska, North Carolina, Oklahoma, South Carolina, South Dakota and West Virginia.

Reciprocal states allow Michigan sales tax to be collected on the lesser of two calculations. The tax collected under Michigan tax law will be applied as a credit against any applicable use tax owed to the state where the vehicle will be titled. See Sales Tax Table on page 2 for a list of states with reciprocal agreements with Michigan. If a vehicle will be titled and registered in one of the reciprocal states, you must perform two calculations to determine the correct amount of sales tax due to Michigan (see "Calculating Sales Tax due to Michigan" on page 2).

Trade-in Allowance: Michigan and many other states allow for a reduction of the price subject to tax by the value of a vehicle traded in toward the purchase of a new and/or used vehicle. Reciprocal state trade-in allowances are summarized in the "Sales Tax Table" on page 2. Refer to the purchaser's home state information if you have questions regarding the purchaser's home state rules.

Michigan trade-in allowances for calendar year 2024 are as follows:

Motor Vehicles: $10,000 or the agreed-upon value of a motor vehicle (whichever is less). This tax reduction is only applicable on a motor vehicle traded in for the purchase of a new or used motor vehicle or recreational vehicle from a licensed dealer.

Recreational Vehicles: There is no dollar limit on the agreed-upon trade-in value of a recreational vehicle. This tax reduction is only applicable on a recreational vehicle traded in for the purchase of a new or used recreational vehicle from a licensed dealer.

Continued on page 2.

Calculating Sales Tax Due to Michigan

1. Calculate the sales tax due in the purchaser's home state by multiplying the sales price of the vehicle, reduced by the trade-in allowance, by the tax rate. Locate the purchaser's home state information in the "Sales Tax Table".
2. Calculate Michigan sales tax by multiplying the sales price of the vehicle, reduced by the Michigan trade-in allowance, by 6% (0.06).
3. Identify the lesser tax amount from computation #1 and #2. The lesser amount is sales tax due to Michigan.

Example A: Motor vehicle sold to an Iowa resident who trades in a motor vehicle valued at $10,000.00

#1	$25,000.00	(Sale price of vehicle)
	- 10,000.00	(100% trade-in allowed in Iowa)
	$15,000.00	
	x 5%	(Sales tax rate in Iowa)
	$ 750.00	Iowa sales tax calculation
#2	$25,000.00	(Sale price of vehicle)
	- 10,000.00	(2024 Michigan trade-in allowance)
	$15,000.00	
	x 6%	(Sales tax rate in Michigan)
	$ 900.00	Michigan sales tax calculation

In Example A, sales tax due is $750.00.

Example B: Motor vehicle sold to a California resident who trades in a motor vehicle valued at $5,000.

#1	$10,000.00	(Sale price of vehicle)
	- 0.00	(No trade-in allowed in California)
	$ 10,000.00	
	x 7.25%	(Sales tax rate in California)
	$725.00	California sales tax calculation
#2	$10,000.00	(Sale price of vehicle)
	- 5,000.00	(Value is less than 2024 Michigan
	$5,000.00	trade in allowance)
	x 6%	(Sales tax rate in Michigan)
	$ 300.00	Michigan sales tax calculation

In Example B, sales tax due to Michigan is $300.00.

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	7.25%
Colorado	YES	2.9%
Connecticut	YES	6.35%
Florida	YES	6%
Hawaii	NO	4%
Idaho	YES	6%
Illinois	YES	6.25%
Indiana	YES	7%
Iowa	YES	5% for vehicles
Kansas	YES	6.5%
Kentucky	YES	6%
Louisiana	YES	4.45%
Maine	YES	5.5%
Massachusetts	YES	6.25%
Michigan: Motor Vehicles	Vehicle value or $10,000.00 whichever is less	6%
Michigan: Recreational Vehicles	YES	6%
Minnesota	YES	6.875% for vehicles
Missouri	YES	4.225%
Nevada	YES	6.85%
New Jersey	YES	6.625%
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	4.85%
Vermont	YES	6%
Virginia	NO	4.15% ($75.00 minimum for vehicles)
Washington	YES	6.5%
Wisconsin	YES	5%
Wyoming	YES	4%