



MICHIGAN DEPARTMENT OF STATE

Jocelyn Benson, Secretary of State

Lansing, Michigan 48918-0001

Trade-in Sales Tax Credit Increase

Agency: Secretary of State

Date: December 28, 2023

Effective January 1, 2024 - Partial Trade-in Sales Tax Credit Increases By \$1,000

Sales Tax Trade-In Credit

Public Acts 1 & 2 of 2018 changed the maximum trade-in value partial sales tax trade-in credit to incrementally increase annually. **Beginning January 1, 2024, owners trading in a motor vehicle receive a sales tax credit for the vehicle's trade-in value up to a maximum of \$10,000.** This is a \$1,000 increase from the year 2023 maximum of \$9,000.

Trade-In Sales Tax Credit Calculation Worksheet

Implementation of the sales tax trade-in credit requires new calculations on transactions with a trade-in.

The Department created a **2024 Trade-In Sales Tax Credit Calculation Worksheet** to help correctly calculate the trade-in sales tax credit. The 2024 worksheet calculates the correct trade-in sales tax credit but is **not submitted** with the RD-108 to the Secretary of State. This worksheet has been attached to this bulletin.

Contact Information for Questions

Frequently asked questions (FAQs) have been updated for vehicle dealers and are attached to this bulletin.

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 specific sales tax questions may contact the Michigan Department of Treasury's Technical Services Section at (517) 636- 4230.



STATE OF MICHIGAN
JOCELYN BENSON, SECRETARY OF STATE
DEPARTMENT OF STATE
LANSING

Vehicle Sales Tax Trade-in Credit – Frequently Asked Questions

December 28, 2023

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 1st 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.

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.

2024 Trade-In Sales Tax Credit Calculation Worksheet

(Please see instructions on next page. For fields A through F you must enter a valid dollar amount including cents, for example, 100.00)

A. Purchase Price of Vehicle Entered on RD-108 Line 1; Including Freight & Accessories	Enter Amount \$ _____
B. Other Taxable Charges Entered on RD-108 Line 2; Documentary fee, Service fee, Temp. Reg. fee, Etc.	Enter Amount \$ _____
C. Total Price Used to Calculate Trade-In The sum of boxes A and B equal the amount entered in box C (Boxes A + B = Box C)	Enter Amount \$ _____ \$ 0.00
D. Trade-In Credit Entered on RD-108 Line 3 (Up to maximum of \$10,000.00 effective 01/01/2024)	Enter Amount \$ _____
E. Total Taxable Price Entered on Line 4 of the RD-108. Total price entered in box C minus trade-in credit listed in box D (Box C – Box D = Box E)	Enter Amount \$ _____ \$ 0.00
F. Sales Tax Due Total taxable price times the Michigan sales tax rate; The amount entered in box E times the sales tax rate (Box E x 0.06 = Box F)	Enter Amount \$ _____ \$ 0.00
G. Total Delivered Price Entered on RD-108 Line 7; add RD-108 Lines 1+2+5+6 = RD-108 Line 7	Enter Amount \$ _____

Vehicle Identification Number (VIN)	Vehicle Year, Make	Delivery Date
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Please Note: This form is NO LONGER REQUIRED with the new RD-108. It is only available to assist dealers calculate proper trade-in sales tax credit. DO NOT include a copy with any vehicle sales transactions submitted to a Secretary of State branch office.

Trade-In Sales Tax Credit Calculation Worksheet Instructions:

For fields A through F you must enter a valid dollar amount including cents, for example, 100.00.

A. Purchase Price of Vehicle – Entered on RD-108 Line 1

Box A includes the purchase price of a vehicle, factory-installed accessories, freight destination charge, and the dealer-installed accessories.

B. Other Taxable Charges – Entered on RD-108 Line 2

Box B includes all other taxable charges (e.g., documentary fee, service fee, temporary registration fee, etc.).

Please Note: CVR dealers must include in Box B the CVR fee from Line 2A of the RD-108E.

C. Total price used to calculate trade-in sales tax credit

Box C is calculated by adding the “Purchase Price of Vehicle” and “Other Taxable Charges”. Enter the sums of Boxes A and B (Box A + Box B = Box C).

D. Trade-In Credit – Entered on RD-108 Line 3

Box D is the agreed-upon value of the trade-in vehicle as part payment up to a maximum of \$10,000.00 effective January 1, 2024.

E. Total Taxable Price – Entered on RD-108 Line 4

Box E is calculated by subtracting the “Trade-In Credit” listed in Box D from the “Total Price Used to Calculate Trade-In” listed in Box C (Box C – Box D = Box E).

F. Sales Tax Due

Enter the amount of sales tax owed by multiplying the “Total Taxable Price by the 0.06 Michigan sales tax rate (Box E x 0.06 = Box F).

G. Total Delivered Price – Entered on RD-108 Line 7

Important: When there is a trade-in credit RD-108 Line 7 is calculated by adding Lines 1, 2, 5, and 6 as the “Total Delivered Price” (RD-108 Lines 1+2+5+6 = Line 7).

Please Note: Page 1 of this form is NO LONGER REQUIRED with the new RD-108. It is only available to assist dealers calculate proper trade-in sales tax credit. DO NOT include a copy with any vehicle sales transactions submitted to a Secretary of State branch office.