

# **State of Rhode Island - Division of Taxation**

## **Sales and Use Tax**

### **Regulation SU 94-109**

#### **Trade-In Deduction**

In general, deductions from the gross proceeds of a sale are not permitted for any credit allowed by the seller for a trade-in taken in exchange or part payment and the tax applies to the full selling price of the article sold.

However, the law does provide for the following to be excluded from the measure of the sales/use tax:

Automobiles:

1. The amount of the trade-in allowance of a private passenger automobile given in trade to the seller towards the purchase of a new or used private passenger automobile.
2. Insurance proceeds received from an insurance claim as a result of a stolen or damaged motor vehicle towards the purchase of a new or used private passenger automobile provided that the tax has not been reimbursed as part of the claim as well as proceeds received from the automobile manufacturer for repurchase.

Where a retailer purchases used items for resale, or where the retailer takes such items as traded-in property, the tax applies to the full selling price charged to customers upon the resale of such used or traded-in property.

Cross Reference:: See "Motor Vehicle Trade-In Allowance."

R. GARY CLARK  
TAX ADMINISTRATOR

DATE: January 1, 1994

THIS REGULATION AMENDS AND SUPERSEDES REGULATION SU 87-109  
PROMULGATED DECEMBER 1, 1987.