

## TRADE-INS

The *Arvada Municipal Code* provides for a reduction of the taxable purchase price by the fair market value of property exchanged at the same time and place of the sale if:

1. The property exchange is to be resold thereafter in the usual course of the retailer's business; or
2. The property exchanged is a vehicle and is exchanged for another vehicle and both vehicles are subject to licensing, registration, or certification under the laws of this state, including, but not limited to, vehicles operating upon public highways, off-highway recreation vehicles, watercraft, and aircraft.

Any money or other consideration paid over and above the value of the exchanged property is subject to tax.

### EXAMPLES

1. Paul, an Arvada resident, purchases a car from a licensed Arvada car dealer. The price of his car is \$15,500.00. Paul is trading in his used car for \$2,000.00. The taxable basis for the new car is \$13,500.00 = (\$15,500.00 - \$2,000.00).
2. ABC Office Furniture, an Arvada retailer, makes a deal with XYZ Materials Handling to exchange furniture for a forklift which will be used in their warehouse. ABC must collect sales tax on the full purchase price of the furniture sold to XYZ because they are not reselling the forklift.

**ARVADA MUNICIPAL CODE – Chapter 98 – Taxation**

**Sec. 98-61. Definitions.**

**Price or purchase price** means the aggregate value measured in currency paid or delivered or promised to be paid or delivered in consummation of a sale, without any discount from the price on account of the cost of materials used, labor or service cost, and exclusive of any direct tax imposed by the federal government or by this article, and, in the case of all retail sales involving the exchange of property, also exclusive of the fair market value of the property exchanged at the same time and place of the exchange, if:

- (1) Such exchanged property is to be sold thereafter in the usual course of the retailer's business, or
- (2) Such exchanged property is a vehicle and is exchanged for another vehicle and both vehicles are subject to licensing, registration, or certification under the laws of this state, including, but not limited to, vehicles operating upon public highways, off-highway recreation vehicles, watercraft, and aircraft. Any money or other consideration paid over and above the value of the exchanged property is subject to tax.

"Price" or "purchase price" includes:

- (2) Property at fair market value taken in exchange but not for resale in the usual course of the retailer's business.

**Sec. 98-66. Property and service taxed.**

There is hereby levied and there shall be collected and paid a tax in the amount stated in section 98-66 as follows:

- (1) On all sales and services taxable, including, but not limited to the following:
  - a. On the purchase price paid or charged upon all sales and purchases of tangible personal property at retail within the city, except as the purchase price is reduced by an allowance for an exchange of tangible personal property, at fair market value, and which, is intended to be offered for resale.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.