

## **C.A.R.S (Cash for Clunkers) Federal Program**

The Department has received several phone calls from auto dealers regarding the taxation issues for a C.A.R.S. sale. The program is enacted by Congress to enable persons with qualified vehicles to trade their car in on a new vehicle and receive some financial assistance through a rebate to the dealership. Following are some points relative to the sales tax issues in such a transaction:

- The rebate cannot reduce the selling price of the new vehicle.  
*Ex: A vehicle normally sells for \$30,000.00. The C.A.R.S. rebate is \$3,500.00. The dealership must charge sales tax on \$30,000.00. The \$3,500.00 will be used to reduce the amount of financing needed for the new vehicle.*
- A tax credit can be given on the value listed on the trade-in line of the sales document.  
*This policy is no different from transactions prior to the C.A.R.S. program.*

The Department will look at how the rebates are treated in any sales transaction, whether a C.A.R.S. transaction or not. The Department will also examine the trade-in tax credit in the normal course of any audits conducted.

Many of the requirements established by Congress in the C.A.R.S. act do not affect sales tax other than the examples listed above.

For further information on this new program established by Congress, you can visit <http://www.cars.gov/index.php/faq>

For sales tax questions on this issue, you can contact the Department at any of its offices.