

Bulletin

March 5, 2008

D-3-5-08-01

BULLETIN TO: ALL DEALERS, TITLE SERVICES

FROM: Brenda Scheydt, Manager
Business Licensing and Consumer Services

RE: Trade-In Allowance for Leased Vehicles

Trade-In Allowance for Leased Vehicles.

As you know, House Bill 5 was passed during the Special Session and became effective January 1, 2008. Among other things, the Act changed the definition of total purchase price to include an allowance for trade-in.

Over the past several weeks, we have received numerous questions regarding whether it was permissible to apply a trade-in allowance on a leased vehicle transaction. Therefore, we sought advice of council from our Attorney General's Office.

The Attorney General's Office concluded the statutory amendments to 13-809 (a) (3) apply only to sales transactions, not to leasing arrangements. The legislature in the amendments expressly authorizes the deduction of a trade-in allowance only from a purchase price and only between a buyer and a seller. Since a vehicle lease is not a sale, the trade-in allowance does not apply.

If an individual has a vehicle titled in their name, they can use it as payment on the cost associated with the lease of a new vehicle. However, this value cannot be applied to the purchase price of the leased vehicle for the titling tax calculation.

If you have any questions or require additional information, please feel free to contact Ms. Sarah Moore, Section Manager of Business Licensing at telephone number 410-424-3060 or by email at smoore1@maryland.mva.com.