
Tax Compliance Guide

Trade-Ins Topic 361

(7/2012)

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The *Westminster 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 exchanged 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 by the purchaser in excess of the value of the exchanged property is subject to Westminster sales/use tax. Amounts paid by the seller to satisfy liens or chattel mortgages on the property taken in trade do not reduce the trade-in allowance, even where the amount is in excess of the fair market value.

Examples

1. A Westminster resident buys a car from a licensed Westminster car dealer. The price of the car is \$20,000. The resident is trading in his used car for \$3,000. The taxable basis for the new car is \$17,000.
2. A Westminster resident buys a car from a licensed Westminster car dealer. The price of the car is \$20,000. The resident is trading in his used car for \$3,000 and also puts down \$1,000 in cash. The resident owes \$4,000 on the old car, which the dealer agrees to pay off. Thus, the resident will borrow \$20,000. The taxable basis for the new car is \$17,000 (\$20,000 less \$3,000 trade-in allowance).
3. Furniture Dealer, a Westminster retailer, makes a deal with Warehouse Operator to furnish Warehouse Operator's office in exchange for a fork lift, which

Furniture Dealer will use in their warehouse. Furniture Dealer must collect Westminster sales tax on the full purchase price of the office furniture sold to Warehouse Operator because Furniture Dealer is not reselling the forklift.

Related Topics

Coupons, Discounts, & Promotional Items

Citations

Westminster Municipal Code
§ 4-2-2. Definitions

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

Contact Us

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