

REG-1-029, Trade-ins or Exchanges

029.01 When property is sold and part of the sales price is satisfied by trading in used property that is similar to the property being sold, the retailer must collect and remit sales tax on the difference between the total selling price and the amount allowed on the trade-in. If the property provided by the purchaser is not similar to the property being purchased, or is a commodity regularly traded on an open market, the transaction is a barter transaction and not a trade-in, and tax must be collected on the full price of the property sold.

029.02 If the trade-in allowance is greater than the value at which the trade-in is later carried for inventory purposes, the excess is not an allowable cash discount on a subsequent sales tax return. There is no refund of sales tax previously paid on the property traded in, even if the buyer is paid for the difference.

029.03 The full selling price is included in "gross sales and services" on the Nebraska and Local Sales and Use Tax Return, Form 10, and the trade-in allowance for the property taken in trade is deducted to calculate "net taxable sales." The deduction for the trade-in allowance cannot exceed the sales price of the property sold, even if the buyer is paid for the difference.

029.04 If the property taken in trade is used by the retailer and not resold in the retailer's regular course of business, the retailer must collect and remit sales tax on the difference between the total selling price and the amount allowed on the trade-in. The retailer must also pay use tax on the amount allowed on the trade-in for using the property. (Reg-1-035, Consumption of Untaxed Property.)

029.05 See Reg-1-020, Motor Vehicles, and Reg-1-096, Motorboats, for exchanges of motor vehicles and motor boats.

(Neb. Rev. Stat. §§ 77-2701.16 and 77-2701.35. June 24, 2017.)