D-09-16-05

Date: September 30, 2016

Bulletin: All Dealers and Tag & Title Services

From: Business Licensing and Consumer Services

RE: Trade-In Allowance

As a reminder, listed below are the legislative changes that are effective October 1, 2016, for trade-in allowance for leased vehicles.

HB986 Vehicle Laws - Trade-In Allowance - Leased Vehicles

Trade-in allowance may be deducted from the retail price of a vehicle as certified by a dealer, when calculating the “total purchase price”, if a person is trading in a leased vehicle for the purpose of:

- Entering into another lease for a period of more than 180 consecutive days, with a different leasing company; or
- Purchasing a vehicle.

The total purchase price must also include the dealer processing fee with no allowance for other nonmonetary consideration.

Link to this bill on the Maryland General Assembly website

Vehicle owner(s) may continue to trade-in a vehicle in individual name(s) to enter into a lease agreement where they are the lessee and receive deduction for the trade-in amount. They also may continue to trade-in a leased vehicle if they are entering into another lease with the same leasing company.

Additional trade-In allowance reminders are listed below:

- A dealer determines the trade-in allowance that is deducted from the purchase price of another vehicle.
- A trade-in allowance may not be divided or deducted from the purchase price of more than one vehicle.
- Only one trade-in vehicle can be applied to a sales/lease transaction for purpose of the trade-in allowance deduction.
- A vehicle titled in Maryland or out-of-State may be used as a trade-in.
- The trade-in allowance shall apply when a vehicle titled to a sole proprietorship is traded-in on a vehicle purchased in the individual name of the sole proprietor (or vice versa) because they are considered legally one and the same.
- The trade-in allowance shall apply when the owner or co-owner of the trade-in vehicle is a relative of the owner or co-owner of the vehicle being purchased. A relative means a spouse, son, daughter, grandchild, parent, sister, brother, grandparent, father-in-law, mother-in-law, son-in-law, or daughter-in-law.

Should you have any questions or concerns, please contact us at mvablesd@mva.maryland.gov.