

TRADE-IN VEHICLE NOT OWNED BY PURCHASER

Sales Tax Laws:

IC 6-2.5-1-6 "Like kind exchange"

Sec. 6. (a) "Like kind exchange" means the reciprocal exchange of personal property between two (2) persons, when:

- (1) the property exchanged is of the same kind or character, regardless of grade or quality; and
- (2) the persons exchanging the property both own the property prior to the exchange.

(b) A "like kind exchange" may be a part of a transaction involving additional consideration other than the exchanged property.

(c) Notwithstanding subsection (a), a "like kind exchange" does not occur when:

- (1) the transaction involves more than two (2) persons; or*
- (2) one (1) party to the transaction, through agreement or negotiation with the second party, acquires personal property for the primary purpose of exchanging that property for like kind property held by the second party.*

IC 6-2.5-5-15.5 Motor vehicles; intrafamilial title transfers

Sec. 15.5. A transaction involving a motor vehicle is *exempt from the state gross retail tax, if:*

- (1) the transaction consists of changing the motor vehicle title to add or delete an individual; and*
- (2) the individual being added or deleted is the spouse, child, grandparent, parent, or sibling of an owner.*

Title Laws:

IC 9-32-4-1 Transfer of title; sale of vehicle without certificate of title; failure to deliver certificate of title

Sec. 1. (a) If a vehicle for which a certificate of title has been issued is sold or *if the ownership of the vehicle is transferred in any manner other than by a transfer on death conveyance under IC 9-17-3-9, the person who holds the certificate of title must* do the following:

- (1) Endorse on the certificate of title an assignment of the certificate of title* with warranty of title, in a form printed on the certificate of title, with a statement describing all liens or encumbrances on the vehicle.

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PLAIN LANGUAGE:

- If you want to get sales tax credit for a trade-in vehicle, the trade-in vehicle must be titled in your name.
- If you want to get sales tax credit for a trade-in vehicle in a family member's name, the family member must either get a title adding your name as co-owner or sign over the title to you. You may use sales tax exemption #11 to obtain a title in your name without paying sales tax.
- If you want to get sales tax credit for a trade-in vehicle in someone's name who is not a family member, that person must assign the title to you and then you must title the vehicle in your name and pay sales tax on the purchase price or value.