

Does your state allow the clunker trade-in rebate to be utilized to reduce the purchase price upon which sales tax is charged?

Sales and Use Tax Implications

The Dixon Hughes Dealer Services Group enlisted the help of our SALT (State and Local Tax) Group to help sort out how the individual states are treating the CARS rebates for the purpose of sales and use taxation.

According to our SALT Group, the research results have been dumbfounding. Each individual state finding shows a significant, non-intuitive and unbalanced treatment in how these rebates are being treated in each jurisdiction.

For more information regarding your state jurisdiction, please contact Marc Grossman with our **SALT Group** at mgrossman@dixon-hughes.com or direct at **(404) 575-8975**.



Car Allowance Rebate System / Consumer Assistance to Recycle and Save Act H.R. 2751

A new government program that will help consumers pay for a new, more fuel efficient car or truck from a participating dealer when they trade in a less fuel efficient car or truck.

Participating Dealers

A participating new car dealer will apply a credit, reducing the price of the new vehicle at the time of purchase or lease, provided the vehicle you sell or lease and the vehicle traded in meet the program requirements. You will then obtain reimbursement from the government.

Consumers that Purchase

The question of whether a consumer must pay State or local sales tax on the amount of the CARS program credit would depend on the sales tax law of each State or locality. Dealers should review the law of their respective States or consult a tax advisor to answer this question.¹

For additional information regarding the Dixon Hughes Dealer Services Group, please contact us at dsg@dixon-hughes.com, (877) DLR-CPAS or visit us on the web at www.dixon-hughes.com/dsg.

¹ Source, cars.gov

About the Dixon Hughes Dealer Services Group

The Dealer Services Group of Dixon Hughes, one of the nation's top 20 accounting firms, has over 135 dedicated professionals working exclusively with some of the largest automotive and heavy truck dealerships across the country. Providing our clients with industry thought leaders in our Assurance, Tax and Risk Service Groups, we consult on best practices to help maximize efficiencies, decrease costs and understand risk management. Dealerships need an independent CPA firm to provide an objective view to take their business to the next level. At Dixon Hughes, we deliver on both sides of the service equation. A fact you might find a plus.