Introduction

This publication provides tax information ~~relating to dealers of vehicles~~for motor vehicle and watercraft dealers, and ~~to~~ body~~ and ~~/repair shops. See ~~Publication 25~~Publication 25 for general sales and use tax information.

Tax Commission publications are reference tools. They are not all-inclusive and should not be used as legal references.

Tax laws may change due to legislative action. Changes to law will ~~supersede~~override information in this publication.

Vehicles~~Definitions~~

In this publication, “vehicles” include highway vehicles, off-highway vehicles, motorcycles, trailers, semi-trailers, watercraft, aircraft and similar items. See UCA §59-12-102.

Vehicle Dealer Definition

A vehicle dealer is ~~defined in Utah Code Ann. §59-12-102 as~~ any ~~“~~person ~~engaged in the~~whose business ~~of~~is buying, selling~~,~~ or exchanging ~~a vehicle.”~~vehicles. The term includes lessors of vehicles who sell previously~~-~~-leased vehicles~~ at termination of such leases. ~~. ~~Vehicles include highway vehicles, off-highway vehicles, trailers, semi-trailers, watercraft, aircraft, and similar items.~~

Paying Sales Tax

Sales tax is due on all motor vehicle sales~~ by Utah~~. Sales tax on any vehicle ~~dealers must be paid with a dealer’s sales and use tax return, on or before the established due date.~~

~~On vehicles sold by dealers, neither dealers nor their customers may pay sales tax to the Division of Motor Vehicles (DMV) at the time of registration. Even in the case of customers registering vehicles~~ purchased from a motor vehicle ~~dealers~~dealer (including a body/repair ~~shops) licensed for sales tax purposes in Utah, the sales tax must be collected by the dealer and paid to the Tax Commission with the dealer’s sales and use tax returns. Purchasers of vehicles from other than licensed vehicle dealers must pay applicable sales tax to the DMV~~shop) must be paid by the dealer on their *Sales and Use Tax Return.* Sales tax on a vehicle purchased from anyone other than a licensed vehicle dealer is paid by the buyer when titling the vehicle for the first time.

When titling a vehicle purchased from a third party, the buyer must state the price actually paid. If the Tax Commission finds that the purchase price was under-reported, the buyer must pay the difference in tax, plus interest, plus a penalty of up to 100 percent of the unpaid tax or $500, whichever is greater.

Determining Tax Base

Sales and use tax is assessed on the purchase price. The purchase price is the price a buyer pays, which can include cash payments, loan payoffs and trades.

The sales tax rate is based on the dealer’s location when a vehicle is bought from a dealer. The rate is based on the buyer’s address, as stated on the registration, when bought from a third party.

Motor vehicle sales between family members are not exempt from sales tax. **When paying off a family member's loan and becoming the new owner, the loan payoff amount is taxable.**

What is Taxable

Charges for the following items are taxable:

~~• charges for dealer~~• Labor and parts to repair or renovate vehicles.

• Dealer preparation, commissions and similar fees~~;~~

~~• charges to customers for waste~~• Cleaning a vehicle's interior.

• Cleaning a vehicle's exterior when it includes cleaning the vehicle's interior.

• Waste disposal, hazardous material handling or disposal, etc. (unless the ~~tax is~~ charge is a tax on the customer that is required by Utah or federal law ~~and is a tax on the customer);~~)

~~• charges for shop supplies;~~

~~• charges for vehicle~~• Shop supply fees

• Vehicle theft protection packages if they include window etchings, glass engravings, security devices, or other vehicle modifications or additions ~~to the vehicle;~~

• ~~sales of extended~~Extended warranties, even ~~though~~when the sale of the vehicle ~~may have qualified~~qualifies for ~~exemption under~~ the authorized carrier exemption~~;~~

• ~~sales of extended~~Extended warranties or service plans (tax must be charged at the time the warranty ~~agreement~~ is sold~~);~~)

~~• towing charges (if~~• Towing, when in connection with a taxable service~~);~~ (see *Towing Charges*, below)

• ~~amounts~~Deductibles collected ~~as deductibles~~ at the time of service~~; and~~

• ~~document~~Document service fees~~.~~

What is Nontaxable

The following are nontaxable:

• Manufacturer's rebates, whether paid to the buyer or kept by the dealer as a down payment

• Parts and labor to honor in-house warranties and service plans, or charges to third-party service companies for nationally-honored plans

• Fees to transfer a warranty to a new owner

• Separate charges for interest, liability waivers or insurance

• Utah safety inspection fees

• County emission testing fees

• Separate charges for diagnostic testing that do not result in repairs

- Separately-stated fuel, parking or storage fees
- Charges for Guaranteed Auto Protection (GAP) coverage plans
- Sales of extended warranties when a vehicle sale (including watercraft and off-highway vehicles) qualifies for either the exclusive-use-outside-Utah exemption or out-of-Utah-delivery exemption
- Amounts paid to the Tax Commission on behalf of customers for titles, registrations, fee-in-lieu of property tax, license plates and temporary permits

What is Exempt

Motor vehicles are exempt from sales or use tax when sold to:

- qualifying religious and charitable institutions;
- motor vehicle dealers for resale, including demonstrators (Rule R865-19S-82);
- agricultural producers (qualifying off-road vehicles only); or
- buyers who do not title/register or use the vehicle in Utah except to transport it to the state border.

See Rule R865-19S-98.

Transfers of title are also exempt from sales or use tax when part of a qualifying business reorganization.

Impacted Community Taxes

~~Sales~~Although they are subject to sales and use tax, sales of motor vehicles, aircraft, watercraft, modular homes, manufactured homes and mobile homes~~, while subject to sales and use tax,~~ are exempt from the resort communities tax and the ~~state~~ correctional facility tax. However, sales of off-highway vehicles, snowmobiles and trailers are not exempt.

Vehicles ~~**Purchased**~~Bought Outside of Utah

A person living in Utah who buys a motor vehicle outside ~~**of Utah**~~Utah must pay Utah use tax at the time of titling. A resident of another state who buys a vehicle in that state and brings it into Utah does not owe tax to Utah on the purchase if all sales or use taxes were paid to the other state. A valid, non-temporary registration card is evidence of such a payment.

A Utah resident who purchases a vehicle outside of Utah may take a sales and use tax credit for tax paid to the other state ~~on the purchase.~~. A resident is someone who has established domicile in Utah for a ~~total~~ period of six months or more during ~~any~~a calendar year. A ~~motor~~ vehicle owner must register their vehicle in Utah within 60 days of establishing residency.

~~**The following items are nontaxable:**~~

- ~~amounts of manufacturer’s rebates, whether paid to the purchaser or retained by the dealer as a down payment;~~
- ~~costs of labor and parts to honor claims against in-house warranties and service plans, or charges to third-party service companies for nationally honored plans;~~

- ~~fees to transfer a warranty to a new owner;~~
- ~~separate charges for interest, liability waivers or insurance;~~
- ~~Utah safety inspection fees;~~
- ~~county emission testing fees;~~
- ~~separate charges for diagnostic testing services if no repairs are made as a result of the test;~~
- ~~separately stated fuel, parking or storage fees;~~
- ~~charges for Guaranteed Auto Protection (GAP) coverage plans that protect the purchaser in the event of certain property losses;~~
- ~~sales of extended warranties if the sale of the vehicle (including watercraft and off-highway vehicles) qualified for exemption under the exclusive use outside of Utah exemption or out-of-Utah delivery exemption; and~~
- ~~charges for amounts to be paid to the Utah State Tax Commission for titles, registrations, fee-in-lieu of property tax, and license plates on behalf of customers, including the fee for a temporary permit.~~

Towing Charges

~~What is Taxable~~

What is Taxable

Towing charges in connection with the sale or repair of tangible personal property are taxable. ~~For example, a~~

Example

A towing company responds to a caller who ~~requests that~~asks the ~~towing~~ company to tow ~~his car~~a vehicle to ~~their~~the tow company's repair shop and fix ~~his~~a flat tire. The ~~charges for~~ towing ~~services~~ and repair charges are taxable, even if separately stated on an invoice.

What is Exempt

~~What is Exempt~~

Towing charges, without any sales or repair, are not taxable. ~~For example, a~~

Example

A towing company responds to a caller who ~~requests that her car be towed~~asks the company to tow a vehicle to a local garage for repair. Because the ~~towing~~tow company only ~~performed~~performs a service and ~~did~~does not repair ~~any~~ tangible personal property or make any sales, the transaction is not subject to tax.

Sales to Employees

Sales to employees are subject to sales tax.

Demonstrator Vehicles

Owners and licensed sales staff can be assigned a demonstrator vehicle without being assessed sales or use tax.

Rental charges for demos are subject to tax. Rental charges include charge backs, whether or not formally ~~designated as~~called a rental. ~~For more information, see Tax Commission~~See Rule R865-19S-82.

Paint, Parts and Other Purchases for Resale

~~Businesses repairing~~ Vehicle repair and ~~servicing vehicles~~service businesses are not required to pay tax on their purchases of items they sell that ~~are sold and~~ become ~~an ingredient or component~~ part of ~~the~~a customer's vehicle. ~~Some examples of nontaxable purchases~~Examples include: lubricants~~;~~, welding rods~~;~~, paint, wax ~~and~~, lacquers ~~used in painting or polishing vehicles;~~, body filler~~;~~, repair parts~~;~~, sublet repair labor; paint hardener and anti-rust ~~preventatives~~products.

Consumable Shop Supplies

Amounts ~~paid by~~ a body/repair/service shop pays for tangible personal property (other than machinery, equipment, parts, office supplies, electricity, gas, heat, steam or other fuels) that are completely consumed in the performance of a taxable service are not subject to tax.

Cost of Parts

~~Cost of parts need not be considered for tax when~~Parts used to repair a vehicle are taxable unless they are used to repair a vehicle recently sold under an implied warranty and/or to keep the customer's good will.

Lease Transactions

~~1. Amounts received or charged for a lease or rental~~Leases are subject to the following tax rules:

- Leases and rentals of tangible personal property are subject to tax.

~~2. Up-front payments are taxable to the extent they are part of the purchase or lease price.~~
- The portion of up-front payments that are part of a purchase or lease price are taxable. The portion attributed to nontaxable charges~~, such as payoffs of previously existing obligations~~ (e.g., the payoff of a prior obligation, license/registration/titling fees, etc~~.~~.) are exempt.

~~3.~~
- Lessors ~~are responsible for the~~ must pay tax on payments they receive ~~or~~and credit against ~~the~~a lease ~~and are~~. They must also ~~responsible for collecting~~collect tax on the sale of ~~vehicles~~a vehicle at the end of a lease ~~termination~~.

~~4.~~
- Dealers ~~are responsible for~~must pay tax on payments they receive that are not forwarded to the lessor.

~~5.~~
- A lease that includes a payoff or refinance of a ~~previously existing~~prior obligation ~~or refinancing by a lease transaction~~ in which the lessor holds the title is ~~vested in the lessor constitutes a~~ taxable ~~lease. This is true~~, unless the transaction fits the criteria excluding sale-~~leaseback transactions~~leasebacks from the definition of retail sales in ~~Utah Code Ann.~~UCA §59-12-102.

~~6. A customer who trades in~~
- To receive trade-in credit on a leased vehicle, a customer must first ~~purchase~~buy the vehicle and pay any sales or use tax ~~applicable to that purchase before he can receive a trade-in credit~~due on the purchase.

~~7.~~• The trade-in credit for an owned vehicle is allowed against ~~the~~a typical lease ~~situation~~ if the trade equity reduces the periodic lease payments to the lessor.

Courtesy Delivery

In-state Dealer Transactions

~~The~~A dealer ~~making the sale~~selling a vehicle must ~~charge,~~ collect ~~and remit the~~ sales tax at the tax rate ~~applicable to~~of its business location when another in-state dealer makes a courtesy delivery for the seller.

Out-of-Utah Dealer/Manufacturer's Transactions

A Utah dealer ~~is responsible for collecting~~must collect Utah sales or use tax when making courtesy deliveries for an out-of-Utah dealer or manufacturer if the Utah dealer ~~assists~~helps the ~~purchaser in registration~~buyer register and ~~titling.~~title the vehicle. The ~~local~~Utah dealer should not issue a dealer report of sale, but ~~Utah~~pay the sales tax ~~must be collected by the dealer and paid~~ directly to the Tax Commission at the time of registration.

Remote Sales

When a dealer who does not have a Utah business location sells a manufactured/mobile/modular home, motor vehicle, aircraft or watercraft, the location of the transaction is where the buyer ~~takes receipt of~~receives the property.

Exemptions

Caution: A dealer may be held individually liable for ~~the~~ tax if it is ~~evident~~found the dealer was a ~~party to~~part of a plan to improperly avoid ~~the~~ tax.

Farmers

Repair parts and labor for farm tractors and equipment (not including registered vehicles) are exempt from sales and use tax. The seller must have an exemption certificate on file. *Implement of Husbandry* certificates for off-highway farm machinery are not considered registration. Sales and repairs of registered vehicles are not exempt ~~under the agricultural producer exemption~~.

Interstate Sales

Sales to consumers are exempt from Utah sales tax when ~~the~~a vehicle, watercraft or merchandise is delivered by a Utah dealer to an out-of-Utah location. Delivery must be made by the dealer or by common carrier. The *Affidavit for Exclusive Use Outside of Utah* (form ~~TC-721A)~~TC-721A) does not apply to these transactions. The dealer ~~should~~must attach a note to the temporary permit indicating out-of-Utah delivery ~~along with the fee~~ and mail it to the Tax Commission~~.~~ together with the fee. The dealer must keep a verification of delivery using ~~form TC-757,~~an *Affidavit of Out-of-State Delivery*~~.~~ (form TC-757). It is not necessary to send a copy of this form to the Tax Commission.

Authorized Carriers

Sales tax law allows an exemption for sales, leases or uses of:

1. vehicles by an authorized carrier; ~~or~~

~~2~~2. aircraft, if the buyer or lessee is the holder of a certificate issued by the Federal Aviation Administration authorizing the holder to engage in interstate commerce;

3. locomotives, freight cars, railroad work equipment, or other rolling stock operating under credentials issued by the U.S. Surface Transportation Board; and

4. tangible personal property installed on a vehicle that is sold to or leased by an authorized carrier, provided that the property is installed before the vehicle is placed in service for the first time.

"Authorized carrier" is defined as "in the case of vehicles operated over public highways, the holder of credentials indicating that the vehicle is or will be operated pursuant to both the International Registration Plan (IRP) and the International Fuel Tax Agreement (IFTA)."

The exemption applies only to vehicles with a gross vehicle weight of 26,001 pounds or more. This weight restriction ~~is interpreted as meaning~~means the maximum gross laden weight of the vehicle, combination of vehicles, and load carried or drawn, for which the motor vehicle is registered.

~~In the case of aircraft, authorized carrier means the holder of a Federal Aviation Administration operating certificate or air carrier's operating certificate.~~

~~To document this exemption, use~~Use form ~~TC-719,~~TC-719, *Sales Tax Exemption Affidavit for Authorized Interstate Carriers*~~.~~

~~Auxiliary Equipment~~

~~Auxiliary equipment purchased and permanently installed in or on a vehicle as part of a qualifying vehicle transaction is also exempt. The exemption only applies~~, to ~~sales or leases of vehicles.~~

~~Effective July 1, 2007, the sale, use or lease of tangible personal property installed on a vehicle sold to or leased by an authorized carrier is exempt if installed before the vehicle is placed in service for the first time.~~

~~For instance, if an authorized carrier enters into a transaction to have a dump body added to a truck, a logo painted on the cab door, or a refrigeration unit installed in a trailer, these transactions qualify for the exemption if attached before the vehicle is placed in service for the first time. This exemption is for authorized carriers only.~~

~~Tax Commission form TC-719, *Sales Tax Exemption Affidavit for Authorized Interstate Carriers*, must be used to verify~~ document the exemption.

Trailer Dollies

A trailer dolly (converter gear) is equipment, consisting of wheels, at least one axle~~,~~ and a fifth wheel, that is attached to the king pin of a semi-trailer ~~to convert the semi-trailer~~and converts it to a full trailer. ~~-~~A trailer dolly ~~is required to~~must be licensed and registered as a separate trailer and used in combination with other qualified vehicles~~ and would meet the qualification for exemption~~. Purchases of trailer dollies are exempt when purchased by ~~an~~ authorized ~~carrier~~carriers and operated ~~pursuant to~~under IRP and IFTA.

Auxiliary Equipment

Purchases of auxiliary equipment permanently installed in or on a vehicle as part of a sale or lease transaction are exempt from sales tax.

Multiple Trailers

Trailers and semi-trailers purchased separately from a power unit, or in numbers in excess of available power units, are ~~allowed the exemption if~~exempt when purchased for use in combination with exempt vehicles ~~meeting the exemption criteria~~. However, a trailer purchased or leased for use as a temporary office, storage facility or other use not associated with highway transportation is not allowed the exemption.

Nonresident Military Personnel Stationed in Utah

Military personnel stationed in Utah are not exempt from Utah sales or use tax unless they qualify for the exclusive~~-~~-use~~-~~-outside~~ of ~~-Utah exemption~~ as detailed~~, explained below.

Nonresident Students Attending Utah Schools

A student living and attending school in Utah is not exempt from Utah sales or use tax unless they qualify for the exclusive~~-~~-use~~-~~-outside~~ of ~~-Utah exemption~~ as detailed~~, explained below.

Resale/Re-lease

A completed exemption certificate must be on file to claim ~~this~~a resale/re-lease exemption. See form TC-721.

Trade-in Exemption

An allowance for a trade-in of tangible personal property on the purchase of a vehicle may be excluded from the amount on which the tax is computed. For ~~the trade-in provisions of the Utah law~~this credit to apply, the trade-in must be part of a single transaction ~~and the transaction must involve~~between only two parties. A customer who trades in a leased vehicle must first ~~purchase~~buy the vehicle and pay any sales or use tax ~~applicable to~~due on that purchase before ~~he can receive~~receiving a trade-in credit.

Note: An even exchange is not a taxable event.

A single transaction means both the trade-in of the old vehicle and the purchase of the new vehicle take place at the same time and are documented in the same contract, buyer's order and other paperwork. ~~The~~A transaction ~~would involve~~includes a fixed ~~specific~~ allowance for the trade-in vehicle~~ traded in~~, a fixed ~~selling~~sale price for the new vehicle, ~~a contractual~~an obligation ~~of~~for the seller to both sell the new vehicle and accept the trade-in~~ vehicle~~, and ~~a contractual~~an obligation ~~of~~for the ~~purchaser~~buyer to ~~purchase~~buy a specific vehicle. The ~~trade-in provisions with regard to the~~ single~~-~~-transaction criteria ~~would~~are not ~~be~~ violated ~~if the~~in a case where a buyer receives a new vehicle after a finished transaction due to the fact that it is ordered from ~~the~~a factory~~ and actual delivery of the new vehicle to the customer is consequently delayed~~.

The trade-in credit may be allowed if the person trading in a vehicle does not appear as the owner on the title ~~to the trade-in~~; however, the Tax Commission will follow up on such transactions and assess the ~~customer directly~~buyer for any taxes due on the acquisition of the trade-in vehicle~~ traded in. An~~. The owner of a vehicle ~~recently acquired, but~~ not yet titled in the buyer's name~~,~~ may be required to show all ~~applicable~~ sales or use taxes have been paid on the ~~acquisition of the~~ vehicle purchase if the trade-in credit has been allowed.

Trades of services (e.g., advertising, legal, accounting, etc.), equity in real property, and items taken for sale on consignment ~~are~~do not ~~allowable trades~~qualify for ~~reduction of~~ the ~~taxable base.~~trade-in credit. A credit given for a trade on a future purchase is not part of ~~the~~a purchase transaction and ~~no reduction~~does not qualify for ~~a trade is allowed for sales tax~~the credit.

Do not overstate or duplicate credits on trade-downs or trades on nontaxable sales.

See Tax Commission Rules R865-19S-30 and R865-19S-72.

Donations to Exempt Entities

A dealer who donates a vehicle (or other ~~item,~~property), or who provides use ~~of such~~ to an organization that would be exempt if a sale had been made, is not required to either collect or pay sales~~/~~ or use tax on the value ~~of the donated property or the~~or use of the donated property.

Foreign Diplomat Vehicles

Sales and leases of motor vehicles to foreign diplomats are exempt ONLY IF the dealer receives a *Motor Vehicle Tax-Exemption Letter* signed by the U.~~-~~S. Department of State, Office of Foreign Missions (OFM) or the American Institute in Taiwan (AIT). *Diplomatic Tax Exemption Cards* DO NOT exempt vehicle purchases from sales tax.

Adaptive Driving Equipment

Adaptive driving equipment is mobility-enhancing equipment installed on a motor vehicle~~, including~~. Examples include a wheelchair or scooter lift, equipment to secure a wheelchair in transit, a swivel seat, a hand or foot control, ~~and~~ a steering aid, etc.

Sales of adaptive driving equipment not yet installed in a motor vehicle are exempt from sales tax. If the adaptive driving equipment was installed in a vehicle by a previous owner, it is exempt if:

- the vehicle is purchased from a dealer, and
- the price of the equipment is stated separately in the ~~motor vehicle~~ sales contract.

Exclusive Use Outside Utah

~~Requirements for the Exemption to Apply~~

~~Sales of the following items~~ Certain vehicle sales are exempt from Utah sales tax~~:~~

- ~~Vehicles that must be registered under the Motor Vehicle Act~~
- ~~Watercraft that must be registered under the State Boating Act~~
- ~~Boat trailers~~
- ~~Outboard motors~~
- ~~Off-highway vehicles (snowmobile, all-terrain vehicle or motorcycle)~~

~~This exemption only applies~~ if ~~one of~~ the ~~above items~~vehicle is ~~not~~ registered in ~~Utah~~ another state and ~~is~~ either not used in Utah or ~~is~~ used in Utah only for:

~~•~~1. non-business purposes for 30 days or less in a calendar year, or

~~•~~2. business purposes for the time needed to transport it to the ~~borders~~state border.

~~To claim the exemption you must complete form TC-721A, *Sales and Use Tax Exemption Affidavit for Exclusive Use Outside of Utah*.~~

~~See Utah Code Ann. §59-12-104.~~

~~Qualifying/Non-qualifying Items – Marine~~

~~1. Only boats required to be registered under the provisions of the State Boating Act, Utah Code Ann. §73-18-7,~~ The following vehicles qualify for ~~the~~this exemption~~. This would include both~~ :

1. Vehicles that must be registered under the Motor Vehicle Act

2. Off-highway vehicles (snowmobiles, all-terrain vehicles and motorcycles)

3. Watercraft (motorboats and sailboats ~~as defined by the act. A motorboat is any vessel propelled by machinery, regardless of whether the machinery is the principal source of power. A sailboat is any vessel having one or more sails and propelled by the force of wind.~~) that must be registered under the *State Boating Act.* See UCA §73-18-6.

• In addition to ~~the~~a boat itself, the exemption ~~will also be allowed for~~applies to items that are part of the original ~~boat~~ sales transaction ~~and are~~if permanently installed in or on the boat ~~in a permanent manner. Such items, if so installed or attached, would~~. Examples include convertible tops, swim platforms, trim tabs, radios, stereos, speakers, depth finders, spot lights, running lights, antennas, auxiliary batteries, fuel tanks, water tanks, inboard engines, inboard/outdrives, auxiliary outboard mounting brackets, horns, winches, sails, sail halyards ~~and similar installed or integral equipment~~, etc.

~~2. A boat trailer, regardless of unladen weight, will qualify for the exemption. Also allowable are the winch, sideboards, spare tires, etc. attached to the trailer and part of the original sales transaction.~~

~~3. Any outboard motor, regardless of horsepower, fuel supply or energy source, will qualify. Also included are its remote control and fuel supply tank or battery when sold as part of the original sale of the motor.~~

~~4. Boats not required to be registered, such as kayaks, canoes, rowboats or inflatable boats, will not qualify unless specifically designed to be propelled by motor or sail.~~

~~5.~~• Equipment that is not part of the original transaction for the sale of the boat, ~~motor and/or trailer,~~ or not permanently installed ~~in a permanent manner~~ to the boat, ~~motor or trailer, will~~does not qualify for the exemption. ~~Such equipment~~Examples includes water skis, fishing equipment, other water sports gear, anchors, fire extinguishers, safety equipment, life jackets, ice chests, tool kits, spare parts, camping gear, bumpers, flotation devices, ropes, paddles, etc. ~~The law specifically indicates outboard motors are included. Inboard/outdrive units sold separately from the sale of a boat will not qualify. Sales of items not qualifying must be taxed.~~

• Boats that are not required to be registered (kayaks, canoes, rowboats, inflatable boats, etc.) do not qualify unless designed to be propelled by motor or sail.

4. Boat trailers

• ~~6.~~ A boat trailer qualifies regardless of unladen weight. The exemption also applies to certain accessories attached to a trailer (e.g., winch, sideboard, spare tire, etc.) that are part of the original sales transaction.

5. Outboard motors

• Any outboard motor qualifies, regardless of horsepower, fuel supply or energy source. Also included are a motor's remote control and fuel supply tank or battery when included in the original sale.

• Inboard/outdrive units sold separately from a boat do not qualify.

To claim the exemption, complete form TC-721A, *Sales and Use Tax Exemption Affidavit for Exclusive Use Outside of Utah.*

See UCA §59-12-104.

Non-qualifying items must be separately stated and separately priced on the invoice or contract of sale to enable proper handling for sales tax purposes.

Credit ~~Allowed~~ for ~~Other States'~~ Tax Paid to Another State

~~1. Most states allow~~Utah allows credit for ~~at least part of the~~ sales ~~or use~~ tax ~~legally~~properly due and paid first to another state. Since sales tax is a tax on ~~the~~a transaction and not on ~~the~~ property, ~~the tax~~it is due at the point of sale.

If ~~the~~a sale takes place in Utah and ~~an exclusive use outside of Utah affidavit is completed by the purchaser~~either the buyer completes form TC-721A in error, or ~~accepted by~~ the dealer accepts TC-721A in error, no credit ~~will be~~is allowed by Utah for any tax paid to ~~a~~another state ~~other than Utah~~, since tax was legally due first ~~in~~to Utah.

~~2. Utah will allow credit for tax properly due and paid first to a state other than Utah.~~

~~Reciprocity~~

~~1.~~ Commuting Between Certain States for Work

Utah has ~~reciprocal~~ agreements with Idaho and Wyoming that allow a person having a primary residence in one ~~state but employed in another~~ of those states to ~~use~~commute to another one for work using a vehicle registered with the state of ~~principal~~primary residence ~~in the other state for purposes of commuting to the work place~~.

~~2.~~ The agreements are specifically for vehicle registration ~~of vehicles~~ and do not waive any other fees or taxes levied by ~~the respective states~~any state.

Out-of-Utah Deliveries

~~1.~~ The *Affidavit for Exclusive Use Outside of Utah,* form ~~TC-721A,~~TC-721A, does not support exemption for out-of-Utah deliveries of motor vehicles.

~~2.~~ The seller must keep evidence of the out-of-Utah delivery to verify the exemption. *Affidavit of Out-of-State Delivery,* form TC-757, may be used as evidence of this exemption.

~~3.~~ Frequent deliveries into another state may subject the seller to the other state's tax collection requirements.

~~4.~~ The out-of-Utah delivery must be an essential part of the sale, and the seller must be ~~obligated~~required by ~~terms of~~ the sales contract to ~~make physical delivery of~~physically deliver the vehicle across a state border to the buyer. The seller must make ~~that physical~~the delivery. See ~~Tax Commission~~ Rule R865-19S-44.

~~5.~~ If the ~~purchaser brings~~buyer returns the vehicle ~~back~~ to Utah for use, the vehicle may be subject to Utah use tax, with credit allowed for tax due and paid first to the other state.

Repossession Credits

~~Sales~~A sales tax credit is allowed for ~~repossessions~~the repossession of a motor vehicle ~~provided that~~if the seller collected ~~the~~ sales tax on the vehicle ~~being repossessed~~ and ~~the seller~~ resells the vehicle. ~~Credit for tax on motor~~ The credit may be taken by a third-party seller that repossesses and resells a vehicle ~~repossessions is allowed to~~if the seller that collected the sales tax ~~as well as a third-party seller that repossessed and resold the vehicle. For a third-party seller to obtain a sales tax credit from the Tax Commission, the seller that collected the sales tax must be~~ has gone out of business and does not have any outstanding sales and use tax liabilities.

Repossession credits are determined by the application of a ratio to the taxable base after a reduction for any down payment. The ratio is the unexpired portion (number of unpaid monthly payments ~~not made~~) of the contract to the total length of the contract.

Example~~:~~

The repossession credit is reduced by recoveries, other than the amount realized through the resale of the repossessed vehicle, to arrive at the net taxable base (gross amount before attorney or collection agency fees). The net taxable base is then multiplied by the sales tax rate in effect on the date of the original sale to calculate the repossession sales tax credit. If the tax rate has changed since the original sale, divide the repossession sales tax credit by the current tax rate to calculate an adjusted net taxable base.

~~a~~1.	Total taxable base	$30,000.00
~~b~~2.	Down payment	($5,000.00)
~~c~~3.	Balance of taxable base (line a minus line b)	$25,000.00
~~d~~4.	Number of full months unpaid at time of repossession	40
~~e~~5.	Total contract period	60
~~f~~6.	Ratio (line d divided by line e)	0.6667

~~g~~7. Credit before recoveries
(line c times line f) $16,667.50

~~h~~8. Amount recovered
(excludes re-sale proceeds) ($3,000.00)

~~i~~9. Net taxable base
(line g minus line h) $13,667.50

~~j~~10. Tax rate from original sale 6.60%

~~k~~11. Repossession credit
(line i times line j) $902.06

Show the net taxable base or the adjusted net taxable base on the proper line of the current sales tax return and attach an explanation.

Make certain of the amount originally taxed (consider rebates, price adjustments, discounts, etc.) and the rate of tax. Special computations are required for contracts calling for balloon payments at the end of the contract.

~~Refund of~~ Sales Tax Refunds on ~~Repurchase of a Motor Vehicle~~Re-purchases

When ~~repurchasing~~re-purchasing a motor vehicle from a retail customer, motor vehicle manufacturers ~~should also~~must refund sales tax paid at the time the vehicle was purchased.

A manufacturer may recover refunded sales tax ~~amounts refunded to a retail customer~~ by including ~~that~~the amount on the adjustment line of its Utah *Sales and Use* Tax Return. When recovering refunded sales tax ~~return. All sales tax amounts included on the adjustment line must be accompanied by supporting calculations and~~ , a manufacturer must include the following ~~information~~documentation with their return:

1. ~~name~~Name of the retail customer to whom sales tax ~~amounts were~~was refunded~~;~~

2. ~~name~~Name of the dealer from whom the ~~retail~~ customer ~~purchased~~bought the vehicle~~;~~

3. ~~date of the original~~Original purchase~~;~~ date

4. ~~date~~Date the vehicle was ~~repurchased~~re-purchased by the manufacturer~~; and~~

~~5. vehicle identification number of the repurchased vehicle.~~

5. The re-purchased vehicle's VIN.

Sales tax applies to any charges for the use of a vehicle (see ~~"~~*Determining Tax Base, Taxable Sales*~~"~~, above).

A manufacturer recovering ~~the~~ sales tax ~~amount refunded to a retail customer~~ must ~~maintain~~keep all re-purchase paperwork for three years ~~documenting the repurchase~~.

Purchases by Native Americans

Out of State Purchases

When an enrolled tribal member ~~purchases~~buys a vehicle out of state, the purchase is either:

1. not subject to tax if driven into Utah within a reservation boundary~~.~~, or
2. subject to tax if driven into Utah outside the tribal boundary on its way to the reservation.

Purchases in Utah

When an enrolled tribal member ~~purchases~~buys a vehicle in Utah, the purchase is either:

1. not subject to tax if the vehicle is delivered to a location within the enrolled member's reservation~~.~~; or
2. subject to tax if the vehicle is delivered to a location off the reservation.

A dealer must keep a copy of the enrolled member's tribal documentation (e.g., tribal card) and documentation of delivery to the enrolled member's reservation.

Leases

When a vehicle is leased in Utah off the reservation by an enrolled tribal member, but the primary property location is the reservation, the lease is not subject to tax.

~~Vehicle~~ Transfers to or from Trusts

Any vehicle transfers between a trust and its beneficiaries, trustees or members ~~would be~~are subject to sales tax, if ~~all of~~:

1. the ~~following conditions are met:~~

~~1. The~~ trust ~~has been~~is established as a separate legal entity;

2. ~~There~~there is an actual transfer of vehicle ownership ~~of the vehicle~~; and

3. ~~There is consideration given or~~anything of value is received in exchange for the vehicle.

However, transfer of a vehicle to or from a trust where ownership of the vehicle before and after the transfer is substantially the same is considered an isolated transaction and is exempt from sales tax. ~~Transfers to or from a trust may be in the form of a gift and no consideration is involved; therefore, the transfer would not be subject to sales tax. However, if consideration is involved, sales tax would be imposed on the transfer.~~

Transfers to or from a trust may be in the form of a gift where no payment is involved, in which case the transfer is not subject to sales tax. However, if payment of any kind is involved, the transfer is subject to sales tax.

Washing ~~of~~ Vehicles in Dealer Inventory

~~Charges for cleaning~~Cleaning, washing ~~or~~and detailing vehicles is taxable unless the vehicle is held in resale inventory ~~are not taxable.~~ .

~~Sales tax publications provide general guidance only. They do not contain all sales or use tax laws or rules. If you need additional information, call 801-297-7705 or 1-800-662-4335, ext. 7705 (outside the Salt Lake area), or email **taxmaster@utah.gov**.~~