

City of Colorado Springs

# Tax Guide

## Trade-Ins

### CS CODE SECTION

2.7.104 Words and Phrases:  
Price or Purchase Price  
2.7.305, 2.7.442

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*This guide provides an overview of specific subject matter and is not intended to be substituted for the full text within the City of Colorado Springs Tax Code.*

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## Reduction in Purchase Price

A reduction in the taxable purchase price of tangible personal property by the fair market value of exchanged, or trade-in property is allowed when the following conditions are met:

- a) the trade-in property is to be resold in the usual course of the retailer's business, and;
- b) The trade-in property is exchanged at the time and place of the sale.

Sales or use tax is due on any money or other consideration paid by the purchaser in excess of the value of the trade-in property.

Trade-ins not to be resold in the usual course of the retailer's business may not be excluded from the taxable selling price of the purchased property.

Trade-ins sold by the retailer as "scrap" are considered to be sold in the usual course of the retailer's business activity.

## Common Examples

1. An individual purchases a new computer for \$2,000 from an office supply store, and receives a discount of \$150 for the trade-in of old equipment. The office supply store will clean and re-sell the old equipment. The net taxable purchase price of the new computer is \$1,850.
2. An individual trades in a computer server for a car. The dealer will use the computer server for the business. The value of the computer server is not allowed as a reduction to the taxable selling price of the car. The dealer is not reselling the property in the usual course of the business.
3. A city resident buys a car from a licensed car dealer. The price of the car is \$12,000. The resident is trading in his used car for \$2,000. The net taxable purchase price of the new car is \$10,000.