



# MISSISSIPPI STATE TAX COMMISSION

Sales and Use Tax Bureau

Notice 72-09-005 July 22, 2009

## NOTICE TO AUTOMOBILE DEALERS CONCERNING THE FEDERAL CAR ALLOWANCE REBATE SYSTEM OR CASH FOR CLUNKERS

Recent federal legislation created a program referred to as the Federal Car Allowance Rebate System (CARS). The program has also been referred to as the Cash for Clunkers program. Under the CARS program, a rebate of either \$3,500 or \$4,500 is allowed as a trade-in allowance for certain qualifying vehicles that are traded-in on the purchase of a qualifying new vehicle between July 1, 2009 and November 1, 2009. The federal government will issue the motor vehicle dealer a voucher for either the \$3,500 or \$4,500 rebate amount depending on which amount the transaction qualifies for. The CARS program requires the scrapping of your eligible trade-in vehicle and the dealer disclose to you an estimate of the scrap value of your trade-in. The scrap value, however minimal, will be in addition to the rebate, and not in place of the rebate.

For additional information concerning the details of the CARS program go to: [www.cars.gov](http://www.cars.gov).

The \$3,500 or \$4,500 trade-in allowance that the customer receives from the dealer will be treated as a trade-in allowance for purposes of Mississippi sales or use tax and will reduce the taxable portion of the sales price of the new vehicle. The estimated scrap value disclosed to the customer will also be treated as part of the trade-in allowance for purposes of the Mississippi sales or use tax and will further reduce the taxable portion of the sales price of the new vehicle. Mississippi motor vehicle dealers will owe no sales tax on the \$3,500 or \$4,500 payments received under the provisions of the CARS program or on the scrap value payment received from the scrap dealer. Any administrative fee for handling the scrapping of the trade-in vehicle charged by the dealer to the customer will be subject to sales tax.

Example:

\$	25,000	Agreed Upon Sales Price
-	4,500	Appropriate Federal Voucher Amount
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\$	20,500	
-	300	Estimated Scrap Value
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\$	20,200	
+	50	Federally Allowed Administrative Fee
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\$	20,250	Amount Subject to Sales Tax