

The Louisville Municipal Code (LMC) provides for a reduction of the taxable purchase price by the fair market value of property exchanged at the same time and place of the sale, provided that:

The exchanged property is to be resold in the usual course of the retailer's business, and any money or other consideration paid over and above the value of the exchanged item is subject to tax.

If the exchanged property is an automotive vehicle being exchanged for another automotive vehicle, for which both vehicles are subject to licensing, registration, or certification under the laws of Colorado, including, but not limited to, automotive vehicles operating upon public highways, off-highway recreation vehicles, watercraft and aircraft, and any money or other consideration paid over and above the value of the exchanged property is subject to tax.

Examples

Customer A brings five used books to a Louisville book store. The book store will give Customer A \$5 in trade-in value towards the purchase of another book(s). Customer A purchases a book that retails for \$15. The book store should collect City sales tax on the reduced price of \$10. The book store should report the sale of the full \$15 as gross sales on their tax return, but may take a deduction under Trade-Ins for the \$5 since they are in the business of reselling books.

Company B is a licensed Louisville cosmetic manufacturer. Company C is a licensed Louisville sign manufacturer. Company B is replacing a conveyor in its shipping area for a larger unit. Company C offers Company B an industrial compressor in trade for the old conveyor that Company B is replacing. Neither manufacturer is in the business of reselling conveyors or compressors. Louisville sales or use tax is due on the fair market value of both items being traded.

Brad is a Louisville resident that is buying a car from a licensed Louisville car dealer. Brad purchases a new car which sells for \$23,000. He is trading in his used car to the dealer for \$6,000. The taxable price for the new car is \$17,000. The dealer should report the full selling price of \$23,000 as gross taxable sales on their tax return, but may take a deduction under Trade-Ins of \$6,000 because they are in the business of reselling automotive vehicles and the vehicle is required to be licensed and registered under the laws of Colorado.

The information contained in the Tax Guide publications is intended to offer general guidance in layman's terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.