

## D-09-16-05

**Date:** September 30, 2016  
**Bulletin:** All Dealers and Tag & Title Services  
**From:** Business Licensing and Consumer Services  
**RE:** Trade-In Allowance

As a reminder, listed below are the legislative changes that are effective October 1, 2016, for trade-in allowance for leased vehicles.

### **HB986 Vehicle Laws - Trade-In Allowance - Leased Vehicles**

Trade-in allowance may be deducted from the retail price of a vehicle as certified by a dealer, when calculating the “total purchase price”, if a person is trading in a leased vehicle for the purpose of:

- Entering into another lease for a period of more than 180 consecutive days, with a different leasing company; or
- Purchasing a vehicle.

The total purchase price must also include the dealer processing fee with no allowance for other nonmonetary consideration.

[Link to this bill on the Maryland General Assembly website](#)

Vehicle owner(s) may continue to trade-in a vehicle in individual name(s) to enter into a lease agreement where they are the lessee and receive deduction for the trade-in amount. They also may continue to trade-in a leased vehicle if they are entering into another lease with the same leasing company.

Additional trade-In allowance reminders are listed below:

- A dealer determines the trade-in allowance that is deducted from the purchase price of another vehicle.
- A trade-in allowance may not be divided or deducted from the purchase price of more than one vehicle.
- Only one trade-in vehicle can be applied to a sales/lease transaction for purpose of the trade-in allowance deduction.
- A vehicle titled in Maryland or out-of-State may be used as a trade-in.
- The trade-in allowance shall apply when a vehicle titled to a sole proprietorship is traded-in on a vehicle purchased in the individual name of the sole proprietor (or vice versa) because they are considered legally one and the same.
- The trade-in allowance shall apply when the owner or co-owner of the trade-in vehicle is a relative of the owner or co-owner of the vehicle being purchased. A relative means a spouse, son, daughter, grandchild, parent, sister, brother, grandparent, father-in-law, mother-in-law, son-in-law, or daughter-in-law.

Should you have any questions or concerns, please contact us at [mvabcsd@mva.maryland.gov](mailto:mvabcsd@mva.maryland.gov).