



**Revenue Information Bulletin
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Sales Tax**

**Computation of the State Sales Tax on Vehicle Transactions under the Federal
“Cash for Clunkers” Program**

On June 24, 2009 President Obama signed into law the Consumer Assistance to Recycle and Save (CARS) Act of 2009. This act establishes the “Cash for Clunkers” program, under which the United States Government will provide \$3,500 or \$4,500 to offset the purchase or lease price of a more fuel efficient vehicle upon the trade-in of an eligible vehicle.

The program requires that, in order for consumers to receive the monetary credit toward the purchase or lease of eligible new fuel-efficient vehicles, they must surrender their old, less fuel-efficient vehicles. The payments to consumers on vehicle purchases under this program will be treated as dealer allowances for vehicle trade-ins on the purchase of new vehicles and are not subject to the state sales tax.

An example is as follows:

Sales Price of Vehicle:	\$25,000.
Less: Federal Program Payment:	<u>4,500.</u>
Amount Subject to State Sales Tax:	\$20,500.

Under the state sales tax law, qualified vehicle lessors who acquire vehicles for leasing under this program will not be required to pay sales taxes on their acquisitions of the vehicles. The federal payments that are applied to consumer leases as capitalized cost reductions will be considered as taxable “gross proceeds” from leasing and renting.

Questions concerning this matter can be directed to the Department of Revenue’s Taxpayer Services Division at 225.219.7356.

Cynthia Bridges
Secretary

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