

701—34.3(321) Trades.**34.3(1) Trades, generally.**

a. A trade-in allowance is excluded from the purchase price only if the requirements of Iowa Code section 321.105A(2) “a”(2)(c) are met.

EXAMPLE A: Person D has an automobile with a value of \$5,000. Person E also has an automobile valued at \$5,000. They decide to trade automobiles. Person D and Person E make an even trade, automobile for automobile, with no money changing hands. The fee for new registration is not due on either automobile because the exchange is even in value.

EXAMPLE B: Person B has an automobile with a value of \$2,000. Person C has an automobile valued at \$3,500. Person B and Person C decide to trade automobiles. Person B pays Person C \$1,500 in cash for the difference in value. Person B will pay the fee for new registration on \$1,500. Person C will not pay the fee for new registration because the trade-in allowance reduces the purchase price to \$0.

EXAMPLE C: Person F has an automobile with a value of \$5,000. Person G has an automobile valued at \$3,000 and a forklift valued at \$2,000. The forklift is not a vehicle subject to registration. They decide to trade these three items. An even trade is made, Person F’s automobile in exchange for Person G’s automobile and forklift, with no money changing hands. Thus, Person G cannot receive a trade-in allowance for the forklift against the \$5,000 purchase price of Person F’s automobile. Person G will, however, receive a trade-in allowance on the value of the automobile, a vehicle subject to registration. Therefore, Person G will pay a fee for new registration on \$2,000. Person F will not pay the fee for new registration because the trade-in allowance reduces the purchase price to \$0.

b. Unless otherwise excluded, a trade-in allowance is excluded from the purchase price only if the person(s) listed on the title of the traded vehicle are the same as the person(s) listed on the newly acquired vehicle. See Iowa Code section 321.105A(2).

EXAMPLE: Person H and Person I are unrelated and, together, own a vehicle subject to registration. The owner on the title of the vehicle is listed as “Person H or Person I.” Person I trades in the vehicle toward the purchase of a new vehicle to be owned together by Person I and Person J, also unrelated. The owner on the title of the new vehicle is listed as “Person I or Person J.” The trade-in allowance is not allowed against the purchase price because Person J is not one of the persons on the original vehicle title.

34.3(2) Trades involving family members under Iowa Code section 321.105A(2) “a”(2)(c)(ii). This allowance is only for lineal relationships and does not extend to nonlineal family members. Consequently, this allowance is not extended to brothers, sisters, aunts, uncles, or cousins.

EXAMPLE A: Grandmother and Grandfather are married and own a vehicle subject to registration together. The owner on the title of the vehicle is listed as “Grandmother or Grandfather.” Grandmother trades in the vehicle toward the purchase of a new vehicle. The owner on the title of the new vehicle is listed as “Grandmother or Grandson.” The trade-in allowance is allowed against the purchase price because all parties are lineal family members.

EXAMPLE B: Aunt and Uncle are married and own a vehicle subject to registration together. The owner on the title of the vehicle is listed as “Aunt or Uncle.” Aunt trades in the vehicle toward the purchase of a new vehicle. The owner on the title of the new vehicle is listed as “Aunt or Niece.” The trade-in allowance is not allowed against the purchase price because Niece is not a lineal family member of Aunt or Uncle.

34.3(3) Trades involving an entity.

a. When an entity is involved, the names on the title of the trade-in and newly acquired vehicle generally must be the same, except for sole proprietorships, which are not distinguished from the individual owner.

b. A trade-in credit is not allowed when a corporate vehicle owner trades a vehicle subject to registration in on behalf of a stockholder to purchase a new vehicle in the stockholder’s name, or vice versa.

EXAMPLE A: Corporation S owns a vehicle subject to registration. The owner on the title of the vehicle is listed as “Corporation S.” Corporation S trades the vehicle in for a new vehicle of equivalent value, which is titled in the name of “Stockholder G.” Stockholder G must pay the fee for new registration on the value of the new vehicle because no trade-in allowance is allowed.

EXAMPLE B: Business, Inc. and Person K own a vehicle subject to registration. The owner on the title of the vehicle is listed as “Business, Inc. or Person K.” Person K trades in the vehicle toward the purchase of a new vehicle. The owner on the title of the new vehicle is listed as “Person K.” The trade-in allowance is allowed against the purchase price because the original title is listed as “or” ownership and the received vehicle title contains only parties that were on the traded vehicle title.

34.3(4) Trades involving a dealer.

a. The dealer must be regularly engaged in the business of selling the type of vehicles involved in the trade.

EXAMPLE A: Person L trades a boat toward the purchase of a new vehicle subject to registration. The vehicle’s purchase price is \$10,000, and the dealer allows a trade-in allowance of \$5,000 for the boat. The dealer is not regularly engaged in the business of selling boats. The trade-in amount of \$5,000 for the boat does not reduce the amount subject to the fee for new registration because the traded vehicle is not one that the dealer sells in the regular course of business. The fee for new registration is due on \$10,000.

EXAMPLE B: Person M is purchasing a new vehicle subject to registration for \$40,000 and trades in a combine. The dealer is regularly engaged in the business of selling both vehicles subject to registration and farm equipment. The dealer allows a trade-in of \$30,000 for Person M’s combine. Therefore, the price of the vehicle is \$40,000 minus the \$30,000 trade-in allowance. Person M pays the dealer the difference of \$10,000. Since the dealer is regularly engaged in the business of selling farm equipment, the \$30,000 trade-in allowance is not included in the purchase price. The fee for new registration is due on \$10,000.

EXAMPLE C: Person N purchases a new truck and uses a truck that Person N currently owns as a trade. Person N goes to Truck Dealer to purchase the new truck. The truck that Person N wants has to be ordered from the manufacturer and will take six months for delivery. Truck Dealer prepares a purchase order showing the retail price of \$50,000 and a trade-in allowance for Person N’s truck of \$20,000. Since the truck being ordered will not be delivered for six months, Truck Dealer allows Person N to drive the traded truck until the new truck arrives. Truck Dealer still allows Person N the \$20,000 trade-in allowance regardless of the additional miles Person N may put on the traded truck. Since the purchase order for the new truck shows a \$20,000 trade-in allowance, the fee for new registration is imposed on \$30,000.

EXAMPLE D: Person O owns a car dealership corporation and a separate farm tractor dealership corporation. Person P wishes to purchase a car worth \$40,000 from Person O’s car dealership. Person P uses a tractor as trade, and Person O’s car dealership allows a trade-in allowance of \$40,000. Person P furnishes no money. Since Person P’s tractor was traded to the car dealership and not the tractor dealership, the trade-in allowance cannot be used for purposes of the fee for new registration. The fee for new registration is imposed on \$40,000.

EXAMPLE E: Person Q owns two cars and wants to trade both cars toward the purchase of a new car. Car Dealer allows a trade-in allowance of \$5,000 for the first car and \$7,000 for the second car, for a total trade-in allowance of \$12,000. The purchased car price is \$14,000. Since Car Dealer is in the business of selling used cars, both of Person Q’s cars can be used as a trade-in allowance. The fee for new registration is imposed on \$2,000.

b. For purpose of the fee for new registration, the total trade-in amount will be deducted from the purchase price, even if the trade-in is used to pay off an outstanding loan balance. The amount the purchaser owes on the traded-in vehicle is not relevant in determining the purchase price of the new vehicle.

EXAMPLE A: Person D purchases a vehicle for \$35,000 and trades in a vehicle as part of the transaction. The dealer gives a trade-in amount of \$15,000 based on the actual value of the vehicle being traded. Person D still owes \$10,000 on the traded vehicle. A portion of the \$15,000 trade-in value is used to pay off the \$10,000 remaining loan balance. In this example, \$15,000 is allowed as a trade for fee for purposes of the new registration.

EXAMPLE B: Person E “trades down” a car by purchasing a vehicle for \$20,000 and trades in a vehicle valued at \$30,000. Person E also has a loan on the vehicle being traded in. The car dealership may give

enough of a trade-in allowance to pay off the loan and have money left over to pay on the new vehicle. Even though the trade-in allowance may be quite large, the full amount of the trade should be allowed for purposes of the fee for new registration. In this case, the trade-in allowance is \$30,000, and since that exceeds the price of the new vehicle, no fee for new registration is due.

This rule is intended to implement Iowa Code section 321.105A as amended by 2021 Iowa Acts, Senate File 366.

[ARC 5911C, IAB 9/22/21, effective 10/27/21]