

Minnesota revenue notice, number 96-20

Sales Tax on Motor Vehicles - Exemption for Rebates Used to Purchase Motor Vehicles

Minnesota Statutes, section 297B.01, subdivision 8, defines the purchase price of a motor vehicle when another motor vehicle is taken in trade (hereafter "trade-in") as a credit or as part payment on the purchase price. The credit or value of the trade-in is deducted from the total selling price of the motor vehicle in order to arrive at the purchase price. Rebates provided by manufacturers are also deducted from the total selling price of the motor vehicle. The final purchase price after deducting trade-ins and rebates is subject to the sales tax on motor vehicles. This Revenue Notice clarifies the Department's position on motor vehicle rebates in general.

The Department's position is that **any** rebate, incentive, coupon, discount, check, or credit (hereafter "rebate"), regardless of origin, is deducted from the selling price in order to arrive at the purchase price. This results in consistent treatment of all credits used when purchasing motor vehicles. To qualify, the rebate must have a definite and fixed value at the time of the motor vehicle purchase and be applied as a down payment or refunded directly to the customer. You must subtract the rebate **before** calculating the sales tax on the motor vehicle purchase.

In addition to manufacturer's rebates, the exemption applies to rebates issued by third parties who have entered into agreements with motor vehicle manufacturers to offer rebates. For example, a credit card company offers car rebates based on an agreement with the motor vehicle manufacturer as an incentive for the purchaser to use their credit card. In this case, the credit card company rebate is not subject to the sales tax on motor vehicles.

This revenue notice applies **only** to motor vehicle rebates. Rebates for water craft, all terrain vehicles, snowmobiles, or other items that are not required to be registered for road use are not exempt from sales tax.

Effective date

This notice is effective February 15, 1995.

Dated: December 23, 1996

Terese M. Koenig, Director
Appeals, Legal Services & Criminal Investigations Division