

New Illinois Trade-in Tax Effective January 1, 2020.

A new Illinois law becomes effective on January 1st that eliminates the tax benefit of trading in your vehicle.

What Does This Mean?

Illinois currently collects no sales tax on the car's trade-in value. Your car will currently act as an untaxed credit towards your new vehicle purchase. Starting January 1st 2020, sales tax will be charged on trade-in value over \$10,000.

Before January 1st 2020

New Car Price	\$65,000
Your Current Vehicle Value	\$38,000
Trade-In Tax Credit	\$38,000
Taxable Amount	\$27,000
Tax Paid	\$2,430
Total Cost	\$29,430

After January 1st 2020

New Car Price	\$65,000
Your Current Vehicle Value	\$38,000
Trade-In Tax Credit	\$10,000
Taxable Amount	\$55,000
Tax Paid	\$4,950
Total Cost	\$31,950

For instance, if you are trading-in a vehicle valued at **\$38,000** before January 1st 2020 for a new vehicle valued **\$65,000**, you will receive a credit worth your current vehicle value, and only be taxed on the difference.

At the start of the new year, you will only receive a trade-in credit of \$10,000, instead of the value of your vehicle **making the taxable amount of your vehicle \$28,000**, plus you will still be paying tax on the cost of your trade (\$27,000), making the total taxable amount **\$55,000**.