

**ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES**  
**Code of Alabama 1975, Sections 40-23-31 and 40-23-83**

**810-6-1-.187. Warranty Contracts - Replacements of Articles.**

Where an unsatisfactory article is returned to the seller for replacement or repair under a warranty contract between the seller and his customer and the new article is given in exchange or defective parts are replaced at a reduced price, the amount of sales tax on such exchange or replacement shall be measured by the reduced price plus the fair and reasonable market value of any unsatisfactory article or part kept by the seller. In instances where there is no charge for the article given in exchange or for the replacement parts no tax is due. (Section 40-23-2(1)) (Readopted through APA effective October 1, 1982)