

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

810-6-2-.04. Automotive Demonstrator, Levy of Tax.

(1) Any dealer licensed pursuant to Section 40-23-6, Code of Alabama 1975, who withdraws from his or her stock in trade any automotive vehicle, truck trailer, semi-trailer, or house trailer for use by the dealer or by the dealer's employee or agent in the operation of the business, shall pay, in lieu of the sales tax, a fee of five dollars (\$5.00) per year or part of year on each automotive vehicle, truck trailer, semi-trailer, or house trailer so withdrawn.

Each year or part thereof shall begin with the date or anniversary date of the withdrawal and run for the 12 succeeding months during which the automotive vehicle, truck trailer, semitrailer, or house trailer remains the property of the dealer. This fee is to be reported on the dealers' sales tax returns covering the tax reporting period in which the withdrawal is made. When the vehicle is returned to the stock of the dealer and sold, the sale is subject to the tax. (Section 40-23-2(4))

(2) The use described in the preceding paragraph does not include the withdrawal of automotive vehicles, truck trailers, semitrailers, or house trailers by a dealer for rental or leasing purposes where the dealer is engaged in business both of selling and leasing such property. If a dealer withdraws from stock a vehicle or trailer for leasing purposes, the withdrawal is exempt from sales tax if the lease of the vehicle or trailer is taxable pursuant to Section 40-12-222, Code of Alabama 1975.

(3) Where the dealer follows the practice of having his or her salesmen purchase the vehicles which they use as demonstrators, the sales to the salesmen are subject to sales tax measured on the sales price thereof less any allowance made for used vehicles taken in trade. The sale of the used vehicle so taken in trade is subject to sales tax when resold.

(4) The withdrawal of an automotive vehicle from inventory by a licensed dealer for the purpose of providing the vehicle to a school for use in a drivers education program constitutes use by the dealer in the operation of the dealer's business and, therefore, is subject to the five dollar (\$5.00) fee outlined in paragraph (1) above. (Section 40-23-2(4)) (Adopted March 9, 1961, amended November 1, 1963, amended August 16, 1974, amended June 12, 1978, amended October 16, 1978, readopted through APA effective October 1, 1982, amended January 29, 1990, amended October 20, 1998)