## Sales and Use Tax (Motor Vehicles)

What taxes are owed on leased vehicles?

Leased vehicles are subject to the same sales taxes as vehicles that are purchased from a dealer. This includes the state sales tax of 2.9 percent and any state-collected special district taxes and local taxes depending upon where the lessee resides.

On leases of more than 36 months, the lessor must charge sales tax on lease payments. On leases of 36 months or less, the lessor may either pay the tax when purchasing the vehicle to be leased or may collect the tax from the customer through the lease payments. However, only one method can be chosen. The lessor must use that method for each vehicle leased regardless of the duration of the lease contract.

For more detailed information regarding motor vehicle leases see <u>FYI Sales 56 "Leases of Motor Vehicles and other Tangible Personal Property."</u>