

Trade-Ins

A state agency may trade-in equipment that it owns for new property of the same or similar type if it is in the best interest of the state. However, a state agency may not trade in property that has been declared either surplus or salvage; such property must be disposed of under applicable state law or CPA's surplus property program. Furthermore, trade-ins are not allowed on CPA term contracts or scheduled purchase items.

Before making any trade-in an agency should document the age, condition, make, model and serial number (if applicable) of the used equipment and estimate its approximate value. If the state could reasonably realize greater cost savings by declaring the equipment as surplus or salvage, the equipment should be disposed of under applicable state law or CPA's surplus property program. See Section 2.62 Disposal of Property. However, if an agency determines that a trade-in offers the best value to the state, an agency shall in addition to the above requirements include in the solicitation document the following:

- Less trade-in at state's option: to be picked up by the successful bidder where is, as is" as per agency terms and conditions. Provide a deadline in terms of the number of days for the vendor to remove the used equipment; and
- Each type of trade-in allowance must be shown on the solicitation document as an individual line item;
- Used equipment will not be released to the vendor on a trade-in until the purchased equipment is received unless the ordering entity receives a bond, letter of credit or similar instrument as collateral.

If not used as a trade-in, the equipment must be disposed of as surplus or salvage property (see Section 2.62 Surplus). Since the ordering entity may profit more from the sale of old equipment as surplus property than as a trade-in, the estimate of the equipment's value is extremely important. Surplus rules require competitive bidding in the disposition of surplus property, which cannot be accomplished against contract purchases.

Note: The CPA does not recommend that used equipment be released to the vendor on a trade-in until the purchased equipment is received unless the ordering entity receives a bond, letter of credit, etc. as collateral. If a lease has a trade-in feature, it is highly recommended that the trade-in value be applied to the first six (6) months of the lease.

SECTION 2.2

REVISED DATE: 01/13/03