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Discover if a bill of sale is legally binding, its essential components, and how it serves as proof of ownership. Learn about different types of bills of sale, when to use them, and how state regulations affect their enforceability. 6 min read updated on February 04, 2025 A bill of sale is generally a binding legal document that records the transfer of ownership of goods, commonly vehicles and livestock. Although similar to a contract, a bill of sale may not cover all elements such as warranties or payment terms. Bills of sale often serve as evidence in disputes and may be required for official tasks like registering vehicles. Both parties should sign if jointly owned, though only the seller's signature is mandatory in many cases. Additional documents like purchase agreements or promissory notes may accompany the bill of sale to add enforceability. Requirements for what must be included, such as an odometer reading for vehicles, vary by state. In secured loans, bills of sale can serve as collateral but require clear stipulations in case of default. Is a bill of sale a binding contract? In many cases, yes, a bill of sale can be used as a contract depending on the circumstances. However, there could be other elements that are also required along with a bill of sale to act as a contract.What is a Bill of Sale and How is it Legally Binding?A bill of sale is a centuries-old document used when people purchase specific types of goods, such as boats, cars, or even animals. A bill of sale is a piece of paper that transfers the ownership of the goods from one party to the other.It is used when the person who owned the goods transfers the property to the buyer instead of a real estate agency or another service. It is a legal document, similar to a contract, that makes a record of the agreement to sell and receive the goods.To be legally binding, the agreement is made consciously and some actions will now be either prohibited or required, depending on the situation: A bill of sale is a piece of evidence for the sale. The bill of sale also helps form an obligation for one party to sell to another later in the future. A bill of sale can also be issued for property transfers when the buyer obtains the actual possession of the property. It is also issued when a buyer is obtaining a right or title to the property without the property actually leaving the seller's possession. When a bill of sale is used, a purchase agreement is also used in most cases. Other documents that are often used include a promissory note, an operating agreement, and the like.A bill of sale is a simple document that lists the purchase price and details of what is being purchased. This section is a list that separates the purchase into categories that are taxable by the IRS.Not included in a bill of sale are the terms of the sale, such as the conditions or the circumstances surrounding different components of the item or property. Also not included are warranties or representations, the terms of payment, date of closing, and so on.A bill of sale is more akin to a receipt rather than a contract. Since it is such a simple document, there is no way to truly enforce it. If the bill of sale is the only document you sign in a transaction, it is best to ensure there is enough detail on it to make the transaction enforceable.A bill of sale does need to conform to state regulations to be used for official purposes, such as registering a car or a boat. An odometer reading and a bill of sale may be required in your state to get a car registered.Both parties to the sale can sign the bill of sale, but only the seller is required to do so. If the property is jointly owned, both need to sign the bill of sale.If you choose to use a bill of sale to secure a loan, things may get tricky. If a person says a car will be collateral for a loan, the lender could require a bill of sale for the vehicle that becomes effective if the loan faces default. A bill of sale can also be used as a component of the loan. If you are making payments via financing, the entire agreement can be considered a bill of sale even though the transfer of the title will not happen until all payments are made.Elements That Can Make a Bill of Sale More BindingA bill of sale on its own can serve as evidence of a transaction but may lack specific enforceable conditions. To strengthen its binding nature, additional elements can be included: Detailed Descriptions: List all relevant details of the item sold, including serial numbers, make, model, and condition. This specificity helps reduce future disputes about the item's identity. Terms of Payment: If payments are being made in installments, these should be outlined clearly. A promissory note or financing agreement can complement the bill of sale, especially for high-value items. Warranties or As-Is Clause: Define any guarantees offered, or state if the sale is "as-is" to clarify that the buyer accepts any existing defects. Responsibilities of Each Party: Outline who is responsible for certain actions post-sale such as paying taxes, registration, or potential repairs needed before official handover. Contingency Clauses: For added enforceability, include any conditions for reversal or cancellation of the sale if specific requirements aren't met (e.g., successful registration or inspection). These additional details can make the bill of sale closer to a contract, particularly when any future obligations or conditions are imposed on either party.When Should You Use a Bill of Sale?Most every state will require a bill of sale to serve as proof that you purchased a vehicle or a certain type of branded animal, such as a cow or horse. It is typically used when you are purchasing a high-value item. If you are only selling an item like clothing, you can choose whether or not you want to use a bill of sale.If you are buying an item and prefer to have a bill of sale, you can bring your own if there is not one provided by the seller.How State Laws Affect the Binding Nature of a Bill of SaleState regulations play a crucial role in determining how binding a bill of sale is. Most states require bills of sale for certain transactions, especially involving vehicles, boats, and animals, and may mandate specific information: Vehicle Registration: Many states require a bill of sale with an odometer reading and seller's signature to register the vehicle. This makes it essential for buyers to ensure they obtain a valid bill of sale during the transaction. Animal Transactions: For livestock and branded animals, states like Texas and Montana mandate bills of sale to prove ownership for branding and health purposes. Boat Sales: Some states, including Florida, necessitate a notarized bill of sale to complete the registration of boats, underscoring the bill's binding nature in such scenarios. Buyers and sellers should be aware of their state's requirements to ensure their bill of sale includes all necessary elements to be legally recognized.Common Types of Bills of Sale and Their Use CasesDifferent types of bills of sale are tailored for specific transactions. Understanding which type is needed can help ensure the document's enforceability and compliance with legal standards: General Bill of Sale: Used for most personal property transactions, often for items sold "as-is." Motor Vehicle Bill of Sale: Specifically details vehicle information like VIN, odometer reading, and can be used for registration. Absolute Bill of Sale: Transfers full ownership with no conditions, common in cases where no warranties or liens are involved. Conditional Bill of Sale: Often used in financing, where ownership is transferred only upon complete payment. Each type provides different levels of protection and flexibility, allowing parties to select the best fit for their transaction needs.If you need help with a bill of sale and whether it's a binding contract, you can post your legal need on UpCounsel's marketplace. UpCounsel accepts only the top 5 percent of lawyers to its site. Lawyers on UpCounsel come from law schools such as Harvard Law and Yale Law, and average 14 years of legal experience, including work with or on behalf of companies like Google, Menlo Venture, and Airbnb. A bill of sale is a contract for the purchase of something between a buyer and a seller. Like other contracts, a bill of sale also makes a record of the agreement between two parties. It represents an outline in writing the transfer of ownership of a good or goods from one party to the other. A bill of sale is legally binding if the agreement between the parties is made consciously and the contract follows the guidelines of the state where the transaction occurs. The failure to comply with the state's guidelines can render the contract void. How does a bill of sale work? A bill of sale is a legal document that can either be complex or simple depending on the type of transaction. The receipt of a retail purchase is also a bill of sale that details the specific goods whose ownership has been transferred to the buyer and the specific price that was agreed by both parties for the transfer. Similarly, the holder of a futures contract received a delivery instrument which also served as a bill of sale. When the futures contract expires, it can be exchanged for the underlying asset. The bill of sale of transactions that involve substantial sums of money must be completed properly and issued to the buyer at the time of sale. A bill of sale completes the transaction even if the property is still in the seller's possession. It certifies that the buyer has obtained a right or title to the property regardless of whether or not it's in their possession. As the bill of sale attests to a buyer's purchase of something from the seller, it serves as a proof of buyer's ownership rights in jurisdictions where ownership does not depend on physical possession of goods or property. Most jurisdictions require a bill of sale to include the contact information of transacting parties, a description of the goods or property sold, price of items exchanged, payment schedule(s), parties' signatures, and any conditions attached to the transfer of ownership. The description of the items sold separates the purchase into classes that are taxable by the Internal Revenue Service (IRS). A bill of sale is commonly used to record transfer of automobiles, aircrafts, and ships. Transactions involving other types of property are typically recorded using other types of written instruments, such as invoices, deeds, and receipts. Over 16 states require a bill of sale for the purchase of a car. Some states also require a car bill of sale to be notarized. A bill of sale primarily takes two forms, namely an absolute form and a conditional form. The former serves as a proof of transfers, assignments, and other assurances of personal property without representing any form of security in the title. The latter represents the assignment or transfer of property to a buyer by way of some form of security for the payment of money. Both are enforceable by law. An absolute bill of sale makes a sale absolute without any reservations on the buyer or the seller. This type of contract certifies that the seller has completely conveyed the property to the buyer in exchange for full payment of the property. A condition bill, however, features some conditions on the ownership of the buyer. For example, when a home is purchased using a mortgage, the mortgage is given the ownership of the property on the condition that the mortgagor will regain full ownership of the property upon paying off the debt. The legality of a bill of sale is often questioned as it is more similar to a receipt than a contract. For a bill of sale to be legally enforceable, it must include enough details about the transaction. Author Bio: Susan Noel is an experienced content writer. She is associated with many renowned business & Law blogs as a guest author where she shares her valuable articles on corporate law with the audience. Share — copy and redistribute the material in any medium or format for any purpose, even commercially. Adapt — remix, transform, and build upon the material for any purpose, even commercially. The licensor cannot revoke these freedoms as long as you follow the license terms. Attribution — You must give appropriate credit , provide a link to the license, and indicate if changes were made . You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use. ShareAlike — If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original. No additional restrictions — You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits. You do not have to comply with the license for elements of the material in the public domain or where your use is permitted by an applicable exception or limitation . No warranties are given. The license may not give you all of the permissions necessary for your intended use. For example, other rights such as publicity, privacy, or moral rights may limit how you use the material. What Is a Conditional Sales Contract? How to Write a Bill of Sale in... What Remedies Does a Seller Have... The Difference Between Official... Is a Sales Contract Legal If Just... Why Should You Have a Spousal Consent... Letter of Understanding Vs. Letter... What Is a Blanket Purchase Order? What Does "FOB" Mean in Accounting? Purchase Order Vs. Sales Receipt... Contract Cancellation Laws in Oregon Georgia Lease Option Contract Laws Gross Sales vs. Gross Receipts Document that transfers ownership of goods?This article has multiple issues. Please help improve it or discuss these issues on the talk page. (Learn how and when to remove these messages) This article needs additional citations for verification. Please help improve this article by adding citations to reliable sources. Unourced material may be challenged and removed.Find sources: "Bill of sale" - news - newspapers - books - scholar - JSTOR (February 2008) (Learn how and when to remove this message) The examples and perspective in this article may not represent a worldwide view of the subject. You may improve this article, discuss the issue on the talk page, or create a new article, as appropriate. (December 2010) (Learn how and when to remove this message) A bill of sale is a document that transfers ownership of goods from one person to another. It is used in situations where the former owner transfers possession of the goods to a new owner. Bills of sale may be used in a wide variety of transactions: to sell goods, exchange, give, or mortgage objects. They can be used only to transfer ownership of goods that people already own or to transfer ownership of moveable tangible goods and only by individuals and unincorporated businesses. Bills of sale exist in common law quite independently of any legislation. In England and Wales, they are regulated by two Victorian pieces of legislation: the Bills of Sale Act 1878 (41 & 42 Vict. c. 31) and the Bills of Sale Act (1878) Amendment Act 1892 (45 & 46 Vict. c. 43). This area of the law was subject to review by the Law Commission, which published a proposal for change in 2017.[1] This section needs additional citations for verification. Please help improve this article by adding citations to reliable sources in this section. Unourced material may be challenged and removed.Find sources: "Bill of sale" - news - newspapers - books - scholar - JSTOR (December 2024) (Learn how and when to remove this message) The term "bill of sale" originally referred to any writing by which an absolute disposition of personality for value was effected or evidenced. A common feature of such dispositions is that the owner mortgagor remains in possession and exercises all the attendant rights of ownership, which may be so overwhelming as to induce a third party to accept the same chattel as security for a grant, albeit without notice of the first mortgage. This scenario made the bill of sale a veritable tool of fraud. The evolution of various bills of sale laws, within the US, was to curb the use of the bill of sale as a means of defrauding innocent persons. A bill of sale has been defined as a legal document made by the seller to a purchaser, reporting that on a specific date at a specific locality and for a particular sum of money or other value received, the seller sold to the purchaser a specific item of personal property or parcel of real property of which he had lawful possession. Black's Law Dictionary on its part defines a bill of sale as "an instrument for the conveyance of title to personal property, absolutely or by way of security". According to Omotola the bill of sale is "a form of legal mortgage of chattels". Bullen and Leake and Jacobs define a bill of sale as "a document transferring a proprietary interest in personal chattels from one individual (the "grantor") to another (the "grantee"), without possession being delivered to the grantee". In essence, a bill of sale is a written instrument showing the voluntary transfer of a right or interest or title to personal property, either by way of security or absolutely, from one person to another without the actual physical possession of the property leaving the owner and being delivered to the other party. It is clear from the definitions above that the bills of sale are essentially of two types: The absolute bill of sale and the conditional bill of sale.[2] Absolute bills of sale, which do not represent any form of security whatsoever, are simply documents evidencing assignments, transfers, and other assurances of personal chattels, which are substantially no more than mere contracts of sale of goods covered by the common law of contract and the sale of goods law. The conditional bill of sale refers to any assignment or transfer of personal chattels to a person by way of security for the payment of money. The conditional bill of sale creates a security in favour of the grantee of the bill whereby the grantee is given personal right of seizure giving right to a security interest of a possessory nature. There are other forms of security over goods such as a pledge and contractual lien which also only give right to a security interest of a possessory nature. An example of a conditional bill of sale can be found where a creditor gives a loan and has transferred to himself, as collateral or security for the loan, the title of the goods or other personal property of the debtor. The physical goods or other property however remains with the debtor. Bills of sale have existed at common law since at least the Middle Ages when they were most commonly used commercially in the shipping industry. As the general population began to own more personal goods in the Victorian era, bills of sale came to be used as a form of consumer credit. Lenders would extend credit on the security of: all and every the household goods, furniture, plate, linen, china, books, stock in trade, brewing utensils and all the effects.[3] Most often, people would grant bills of sale over their goods as security for a loan. Borrowers would transfer ownership of their goods to the lender, while retaining possession of them when making repayments. When the loan was repaid, the borrower would regain ownership. Bills of sale used in this way are known as "security bills". Sometimes, bills of sale would transfer ownership outright, such as when a person sold their goods to another while retaining possession. Bills of sale used for purposes other than borrowing money are known as "absolute bills". The increased use of bills of sale in the Victorian era created a "false wealth" problem. Potential purchasers and other lenders could be misled into thinking that the person in possession of goods still owned them. The person in possession could sell the goods or use them to secure another loan. In both cases, the transaction was fraudulent, but the purchaser or lender had no way of discovering that the goods were already subject to a bill of sale. United Kingdom legislationBills of Sale Act 1854Act of ParliamentParliament of the United KingdomLong titleAn Act for preventing Frauds upon Creditors by secret Bills of Sale of personal Chattels.Citation17 & 18 Vict. c. 36DatesRoyal assent10 July 1854Other legislationAmended byStatute Law Revision Act 1875 United Kingdom legislationBills of Sale Act 1866Act of ParliamentParliament of the United KingdomLong titleAn Act to amend the Bills of Sale Act, 1864.Citation29 & 30 Vict. c. 96DatesRoyal assent10 August 1866 United Kingdom legislationBills of Sale Act 1878Act of ParliamentParliament of the United KingdomCitation41 & 42 Vict. c. 31Other legislationRepeals/revokesBills of Sale Act 1854Bills of Sale Act 1866Amended byBills of Sale Act 1878) Amendment Act 1894Perjury Act 1911Statute Law Revision Act 1950Constitutional Reform Act 2005Status: AmendedText of statute as originally enactedText of the Bills of Sale Act 1878 as in force today (including any amendments) within the United Kingdom, from legislation.gov.uk. As a result, Parliament passed the Bills of Sale Act 1878 (41 & 42 Vict. c. 31). This largely replicated the provisions of an earlier Bills of Sale Act 1854 (17 & 18 Vict. c. 36). It requires all bills of sale to be registered at the High Court so that interested third parties could check whether the person in possession has already transferred away ownership of goods.[1] United Kingdom legislationBills of Sale Act (1878) Amendment Act 1882Act of ParliamentParliament of the United KingdomLong titleAn Act to amend the Bills of Sale Act, 1878.Citation45 & 46 Vict. c. 43DatesRoyal assent18 August 1882Other legislationAmendsBills of Sale Act 1878Amended byStatute Law Revision Act 1898Decimal Currency Act 1969Consumer Credit Act 1974Insolvency Act 1985Tribunals, Courts and Enforcement Act 2007Crime and Courts Act 2013Status: AmendedText of statute as originally enactedText of Bills of Sale Act (1878) Amendment Act 1882 as in force today (including any amendments) within the United Kingdom, from legislation.gov.uk. The Bills of Sale Act (1878) Amendment Act 1882 (45 & 46 Vict. c. 43) had a different purpose. The 1878 Act led to a rise in the use of security bills. Concerns were expressed that such transactions could lead "thousands of honest and respectable people to their ruin".[4][failed verification] Parliament noted that: Many money-lenders advertised under the names of fictitious banks; and sometimes they advertised in this form - "A widow, with capital to spare, will be happy to lend on easy terms. Strict secrecy. Five per cent. "... Having entrapped a man into his office, the money-lender proceeded in this way - He produced a bill of sale containing a large number of clauses, which it was impossible for the borrower to read or understand in the time allowed. —John Mellor, MP for Grantham[4] In response, Parliament enacted the 1882 Act, adding registration and understandable terms as forms of consumer protection, which land had already enjoyed for decades in many counties due to its compulsory registration of deeds of sale. Both Acts remain in force today. Absolute bills are regulated only by the 1878 Act. Security bills are regulated by both and the latter naturally dominates by law. In the twenty-first century, bills of security are overwhelmingly used in the form of so-called "logbook loans".[5]: 12 These are security bills secured on the borrower's vehicle. Borrowers transfer ownership contingently of their car, van or motorcycle to the logbook lender as security for meeting their loan repayments. While making repayments, borrowers keep possession (continue use). Borrowers hand the logbook lender the V5C vehicle registration document or "logbook"; whilst if taken to the court for civil breach of the Act (which is usually prohibitively expensive and complex), the lender would swear the transfer were purely symbolic and has no legal effect as it warns on its face, in reality they may seize the vehicle amicably, or with menaces, and in either case effect its transfer at the DVLA if any repayment instalment is missed. The bill of security is wrongly not registered as a trader's hire purchase agreement used to be. The law of bills of sale has been criticised on a number of occasions. The Crowther report in 1971[6] and the Diamond report in 1986[7] both considered the acts, with the latter recommending repeal. In its consultation paper, the Law Commission made a number of criticisms of the law as it stood in 2015. It proposed to replace the Bills of Sale Acts with a new Goods Mortgages Act.[5]: 7 In its consultation paper, the Law Commission identified five key problems with the Bills of Sale Acts: undue complexity; highly technical documentation; the registration regime is in need of modernisation; they offer little protection to borrowers; they offer no protection to third party purchasers.[5]: 7 The Law Commission proposed to replace the Bills of Sale Acts with a new Goods Mortgage Act that would address each of the criticisms identified in the consultation paper.[1] [Contract of sale Hire purchase Manufacturer's Certificate of Origin Receipt ^ a b c From Bills of Sale to Goods Mortgages (PDF). Law Commission (Report). House of Commons. 23 November 2017. ISBN 978-1-5286-0110-8. HC 495/Law Com No 376. Retrieved 20 August 2018. ^ "What is a USA Bill of Sale or Documented Sales Receipt?". Documentica Legal Forms. Archived from the original on 2008-09-19. Retrieved 4 August 2013. ^ J. Weir, The Law of Bills of Sale (1896) p.23 ^ a b "Committee". Parliamentary Debates (Hansard), United Kingdom: House of Commons. 20 March 1882. col. 1398-1416. ^ a b c Bills of Sale - A Consultation Paper (PDF) (Report). Law Commission. 2015. ISBN 9780108561702. Consultation Paper No 225. Retrieved 20 August 2018. ^ Report of the committee on consumer credit (1971) Cmnd 4596. ^ A Diamond, A review of security interests in property (1989) Bills of Sale Act 1878 Bills of Sale Act (1878) Amendment Act 1882 Bills of Sale Act 1890 Bills of Sale Act 1891 Retrieved from ^ "A bill of sale is a document that details in writing a sale of goods or transfer of property from one party to another. A bill of sale serves as legal evidence that full consideration has been provided in a transaction and that the seller has transferred the rights to the assets detailed in the bill of sale to the buyer. A bill of sale can be quite complex or quite simple—depending on the type of transaction. A typical retail purchase receipt can be considered a bill of sale, as it details the specific goods that have been sold to the buyer and the specific price that was agreed to and paid for each. For example, the holder of a futures contract is generally given a delivery instrument, which acts as a bill of sale, in that it can be exchanged for the underlying asset when the futures contract expires. When conducting transactions for assets worth substantial sums of money, such as an automobile, it is important to make sure the bill of sale is completed properly and obtained at the time of sale. A bill of sale generally takes the form of the following: An absolute bill of sale does not represent any form of security, but rather, are simply documents evidencing assignments, transfers and other assurances of personal chattels, which are substantially no more than mere contracts of sale of goods covered by the common law of contract and the sale of goods law.A conditional bill of sale represents any assignment or transfer of personal chattels to a person by way of security for the payment of money. The conditional bill of sale creates a security in favor of the grantee of the bill whereby the grantee is given personal right of seizure giving right to a security interest of a possessory nature. A bill of sale is a legally recognized documented record of a transaction.A bill of sale may take the form of absolute or conditional depending on the terms therein.Today, bill of sale is commonly used when transferring title to property from one person to another. The term "bill of sale" originally referred to any writing by which an absolute disposition of personal property for value was effected or evidenced. Because a bill of sale is technically independent of any legislation under U.S. common law, they were prone to deceit and fraud before advancements in contract law and digital record keeping systems. Today, the bill of sale is a commonly written instrument showing the voluntary transfer of a right or interest or title to personal property, either by way of security or absolutely, from one person to another without the actual physical possession of the property leaving the owner and being delivered to the other party. Most exchanges in ownership between two parties require completing a bill of sale to note the parties involved and the amount exchanged for the item in question. Though it is a legal contract, many are left wondering if it is binding and what rights they have in terms of canceling it. You may be surprised at your options, so read on to find out more. What's a Bill of Sale?A bill of sale is a legal document used to show the sale of an item. It documents the change of ownership of an item, most often used in the sale of vehicles. This document secures the seller and the buyer, giving them proof of their purchase for the proper registration of the vehicle in question. When Is It Usually Used? Many states require the use of a bill of sale form when an owner chooses to sell their property privately. Most cases involve motor vehicles, but this is not the only case. There are also instances where individuals sell animals, tools, clothing, etc. Therefore, the bill of sale can take on the same role as a receipt, showing the item's sales price. Absolute vs. Conditional Bill of Sale There are two types of bills of sale usually used when one person sells an item to the other. These are labeled as a conditional and absolute bill of sale. Each one is used in different circumstances when dealing with the changing of ownership of an item. Absolute Bill of Sale An absolute purchase is one that is signed and sealed. This type of acquisition means that the transaction is complete and that neither party needs to act further for the purchase to be finished. Most cases involve the buyer paying the price agreed upon by both parties upfront. Conditional Bill of Sale When the two parties involved in the buying and selling of an item agree to certain conditions, like payments in installments, continued service on vehicles, and so on, this is known as a purchase with conditions. In this type of transaction, both parties should create a conditional bill of sale, which outlines the agreed-upon requirements for completing the sale. How to Make a Binding Bill of Sale? So, what if you want to back out of a car deal after signing a bill of sale? Can you do it? It depends. First of all, you should think of this legal document as a contract that spells out the terms and conditions of the vehicle purchased. It isn't very easy to back out of a deal, but it can be done. Suppose the person purchasing the vehicle suddenly decides not to go through with the transaction after signing the document. This, however, is only possible if the individual has not started the titling. If not, buyers could have a large window of opportunity to overturn the sale and walk away from the deal. Because a bill of sale can hold up as a legal contract for purchase, buyers should hold off on signing until they are sure they agree with the terms and want to buy the vehicle in question. In some cases, after signing paperwork, they will not have the right to back out and could be stuck in a bind if signing without thinking things through beforehand. Some contracts may give the buyer the right to overturn their decision on a purchase within a set number of days. For example, if there is a clause giving the buyer a trial period to check the item's condition by hiring an expert (e.g., a mechanic or veterinarian). No matter the case, the buyer should read the bill of sale form (especially conditional) over and make sure they understand the terms and agree to them. Published: Jun 21, 2022 During important transactions, people are required to write a bill of sale and a sales contract. After a transaction has been finalized, a bill of sale is issued to the buyer from the seller. A bill of sale form ensures that the title of the property being sold is transferred to the buyer. When a seller forms a sales contract with the buyer, it is done before the transaction can take place. Basically it sets the terms of how the transaction will go between both parties. This is the reason why people need bill of sale forms and sales contract forms to ensure that both are properly documented. What Are the Functions of a Bill of Sale and Sales Contract? With a sales contract, its purpose is to make sure that both the buyer and the seller form an agreement regarding how the exchange will take place. It discusses the details' terms and conditions of the transaction, such as the payment method, the date of transfer, warranties and more. A bill of sale's purpose is to finalize the transfer by handing over all of the ownership rights to the buyer. So if one were to be issued Equipment Bill of Sale Forms, then all equipment listed are now legally transferred to the name of the recipient. To know more about the different functions of a bill of sale and sales contract, then there are sample bill of sales and sales contract forms available here. What Is the Importance of a Bill of Sale and Sales Contract? The importance of both is that they are physical proof that the agreements regarding the transaction and the entire transaction itself has been finalized. If one were to receive Business Bill of Sale Forms after purchasing a particular establishment, then the bill of sale can be used in the event that one questions the ownership of the business and the Vehicle Identification Number (VIN). For other property, such as electronics, serial numbers and a description of the item's condition provide the necessary clarity and prevent disputes. The document must specify the purchase price, which is the "consideration" for the sale, and the date the sale takes place. The bill of sale must be signed by both the seller and the buyer. The seller's signature confirms the release of ownership, and the buyer's signature indicates acceptance. To avoid disagreements, the document should also specify if the item is sold "as-is," which signifies the buyer accepts the item in its current state. Circumstances That Invalidate a Bill of Sale Even a complete bill of sale can be invalidated under certain circumstances: Fraud or misrepresentation. If a seller knowingly conceals a major defect, such as telling a buyer a car's engine is in perfect condition when it has a cracked block, the buyer may be able to void the sale. Duress or coercion. The agreement must be entered into freely. If one party was threatened or forced to sign the document against their will, the bill of sale is not valid. Lack of legal capacity. Both parties must be of legal age and mentally competent. A bill of sale signed by a minor for a car could be voidable, as could one signed by someone mentally incapacitated. Illegal purpose. An agreement to sell stolen goods is invalid. If an item is discovered to be stolen after the purchase, the bill of sale does not grant the buyer legal ownership because the seller never had the right to transfer it. The Role of Notarization Generally, a bill of sale does not need to be notarized to be legally binding. A notary public's function is not to validate the document's content but to formally verify the identity of the signers, confirming they are who they claim to be and are signing willingly. While not always required, notarization adds a layer of authenticity that reduces the risk of future disputes over forged signatures. The notary's seal serves as evidence that the transaction was executed legitimately. In some transactions, notarization is required by law or a third-party agency. For instance, the Department of Motor Vehicles (DMV) in some states may require a notarized bill of sale to register a vehicle, especially if the original title is missing. Transferring ownership of a boat or mobile home often involves state agencies that mandate notarization to prevent fraud. How to Enforce a Bill of Sale When a dispute arises, a properly executed bill of sale becomes the primary evidence for enforcing the agreement. If one party fails to uphold their end of the deal—for example, if the buyer fails to pay or the seller refuses to deliver the item—the other party can use the document to seek a legal remedy. The most common venue for enforcing a bill of sale for smaller transactions is small claims court. These courts are designed to resolve disputes involving amounts below a certain monetary threshold, typically ranging from \$5,000 to \$10,000, in a streamlined manner. When filing a claim, the aggrieved party submits the bill of sale to the court as evidence. In court, a judge will review the bill of sale to determine the rights and obligations of each party. A well-drafted document that includes all the necessary elements strengthens the case of the party seeking enforcement.

Discover if a bill of sale is legally binding, its essential components, and how it serves as proof of ownership. Learn about different types of bills of sale, when to use them, and how state regulations affect their enforceability. 6 min read updated on February 04, 2025 A bill of sale is generally a binding legal document that records the transfer of ownership of goods, commonly vehicles and livestock. Although similar to a contract, a bill of sale may not cover all elements such as warranties or payment terms. Bills of sale often serve as evidence in disputes and may be required for official tasks like registering vehicles. Both parties should sign if jointly owned, though only the seller's signature is mandatory in many cases. Additional documents like purchase agreements or promissory notes may accompany the bill of sale to add enforceability. Requirements for what must be included, such as an odometer reading for vehicles, vary by state. In secured loans, bills of sale can serve as collateral but require clear stipulations in case of default. Is a bill of sale a binding contract? In many cases, yes, a bill of sale can be used as a contract depending on the circumstances. However, there could be other elements that are also required along with a bill of sale to act as a contract.What is a Bill of Sale and How is it Legally Binding?A bill of sale is a centuries-old document used when people purchase specific types of goods, such as boats, cars, or even animals. A bill of sale is a piece of paper that transfers the ownership of the goods from one party to the other.It is used when the person who owned the goods transfers the property to the buyer instead of a real estate agency or another service. It is a legal document, similar to a contract, that makes a record of the agreement to sell and receive the goods.To be legally binding, the agreement is made consciously and some actions will now be either prohibited or required, depending on the situation: A bill of sale is a piece of evidence for the sale. The bill of sale also helps form an obligation for one party to sell to another later in the future. A bill of sale can also be issued for property transfers when the buyer obtains the actual possession of the property. It is also issued when a buyer is obtaining a right or title to the property without the property actually leaving the seller's possession. When a bill of sale is used, a purchase agreement is also used in most cases. Other documents that are often used include a promissory note, an operating agreement, and the like.A bill of sale is a simple document that lists the purchase price and details of what is being purchased. This section is a list that separates the purchase into categories that are taxable by the IRS.Not included in a bill of sale are the terms of the sale, such as the conditions or the circumstances surrounding different components of the item or property. Also not included are warranties or representations, the terms of payment, date of closing, and so on.A bill of sale is more akin to a receipt rather than a contract. Since it is such a simple document, there is no way to truly enforce it. If the bill of sale is the only document you sign in a transaction, it is best to ensure there is enough detail on it to make the transaction enforceable.A bill of sale does need to conform to state regulations to be used for official purposes, such as registering a car or a boat. An odometer reading and a bill of sale may be required in your state to get a car registered.Both parties to the sale can sign the bill of sale, but only the seller is required to do so. If the property is jointly owned, both need to sign the bill of sale.If you choose to use a bill of sale to secure a loan, things may get tricky. If a person says a car will be collateral for a loan, the lender could require a bill of sale for the vehicle that becomes effective if the loan faces default. A bill of sale can also be used as a component of the loan. If you are making payments via financing, the entire agreement can be considered a bill of sale even though the transfer of the title will not happen until all payments are made.Elements That Can Make a Bill of Sale More BindingA bill of sale on its own can serve as evidence of a transaction but may lack specific enforceable conditions. To strengthen its binding nature, additional elements can be included: Detailed Descriptions: List all relevant details of the item sold, including serial numbers, make, model, and condition. This specificity helps reduce future disputes about the item's identity. Terms of Payment: If payments are being made in installments, these should be outlined clearly. A promissory note or financing agreement can complement the bill of sale, especially for high-value items. Warranties or As-Is Clause: Define any guarantees offered, or state if the sale is "as-is" to clarify that the buyer accepts any existing defects. Responsibilities of Each Party: Outline who is responsible for certain actions post-sale such as paying taxes, registration, or potential repairs needed before official handover. Contingency Clauses: For added enforceability, include any conditions for reversal or cancellation of the sale if specific requirements aren't met (e.g., successful registration or inspection). These additional details can make the bill of sale closer to a contract, particularly when any future obligations or conditions are imposed on either party.When Should You Use a Bill of Sale?Most every state will require a bill of sale to serve as proof that you purchased a vehicle or a certain type of branded animal, such as a cow or horse. It is typically used when you are purchasing a high-value item. If you are only selling an item like clothing, you can choose whether or not you want to use a bill of sale.If you are buying an item and prefer to have a bill of sale, you can bring your own if there is not one provided by the seller.How State Laws Affect the Binding Nature of a Bill of SaleState regulations play a crucial role in determining how binding a bill of sale is. Most states require bills of sale for certain transactions, especially involving vehicles, boats, and animals, and may mandate specific information: Vehicle Registration: Many states require a bill of sale with an odometer reading and seller's signature to register the vehicle. This makes it essential for buyers to ensure they obtain a valid bill of sale during the transaction. Animal Transactions: For livestock and branded animals, states like Texas and Montana mandate bills of sale to prove ownership for branding and health purposes. Boat Sales: Some states, including Florida, necessitate a notarized bill of sale to complete the registration of boats, underscoring the bill's binding nature in such scenarios. Buyers and sellers should be aware of their state's requirements to ensure their bill of sale includes all necessary elements to be legally recognized.Common Types of Bills of Sale and Their Use CasesDifferent types of bills of sale are tailored for specific transactions. Understanding which type is needed can help ensure the document's enforceability and compliance with legal standards: General Bill of Sale: Used for most personal property transactions, often for items sold "as-is." Motor Vehicle Bill of Sale: Specifically details vehicle information like VIN, odometer reading, and can be used for registration. Absolute Bill of Sale: Transfers full ownership with no conditions, common in cases where no warranties or liens are involved. Conditional Bill of Sale: Often used in financing, where ownership is transferred only upon complete payment. Each type provides different levels of protection and flexibility, allowing parties to select the best fit for their transaction needs.If you need help with a bill of sale and whether it's a binding contract, you can post your legal need on UpCounsel's marketplace. UpCounsel accepts only the top 5 percent of lawyers to its site. Lawyers on UpCounsel come from law schools such as Harvard Law and Yale Law, and average 14 years of legal experience, including work with or on behalf of companies like Google, Menlo Venture, and Airbnb. A bill of sale is a contract for the purchase of something between a buyer and a seller. Like other contracts, a bill of sale also makes a record of the agreement between two parties. It represents an outline in writing the transfer of ownership of a good or goods from one party to the other. A bill of sale is legally binding if the agreement between the parties is made consciously and the contract follows the guidelines of the state where the transaction occurs. The failure to comply with the state's guidelines can render the contract void. How does a bill of sale work? A bill of sale is a legal document that can either be complex or simple depending on the type of transaction. The receipt of a retail purchase is also a bill of sale that details the specific goods whose ownership has been transferred to the buyer and the specific price that was agreed by both parties for the transfer. Similarly, the holder of a futures contract received a delivery instrument which also served as a bill of sale. When the futures contract expires, it can be exchanged for the underlying asset. The bill of sale of transactions that involve substantial sums of money must be completed properly and issued to the buyer at the time of sale. A bill of sale completes the transaction even if the property is still in the seller's possession. It certifies that the buyer has obtained a right or title to the property regardless of whether or not it's in their possession. As the bill of sale attests to a buyer's purchase of something from the seller, it serves as a proof of buyer's ownership rights in jurisdictions where ownership does not depend on physical possession of goods or property. Most jurisdictions require a bill of sale to include the contact information of transacting parties, a description of the goods or property sold, price of items exchanged, payment schedule(s), parties' signatures, and any conditions attached to the transfer of ownership. The description of the items sold separates the purchase into classes that are taxable by the Internal Revenue Service (IRS). A bill of sale is commonly used to record transfer of automobiles, aircrafts, and ships. Transactions involving other types of property are typically recorded using other types of written instruments, such as invoices, deeds, and receipts. Over 16 states require a bill of sale for the purchase of a car. Some states also require a car bill of sale to be notarized. A bill of sale primarily takes two forms, namely an absolute form and a conditional form. The former serves as a proof of transfers, assignments, and other assurances of personal property without representing any form of security in the title. The latter represents the assignment or transfer of property to a buyer by way of some form of security for the payment of money. Both are enforceable by law. An absolute bill of sale makes a sale absolute without any reservations on the buyer or the seller. This type of contract certifies that the seller has completely conveyed the property to the buyer in exchange for full payment of the property. A condition bill, however, features some conditions on the ownership of the buyer. For example, when a home is purchased using a mortgage, the mortgage is given the ownership of the property on the condition that the mortgagor will regain full ownership of the property upon paying off the debt. The legality of a bill of sale is often questioned as it is more similar to a receipt than a contract. For a bill of sale to be legally enforceable, it must include enough details about the transaction. Author Bio: Susan Noel is an experienced content writer. She is associated with many renowned business & Law blogs as a guest author where she shares her valuable articles on corporate law with the audience. Share — copy and redistribute the material in any medium or format for any purpose, even commercially. Adapt — remix, transform, and build upon the material for any purpose, even commercially. The licensor cannot revoke these freedoms as long as you follow the license terms. Attribution — You must give appropriate credit , provide a link to the license, and indicate if changes were made . You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use. ShareAlike — If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original. No additional restrictions — You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits. You do not have to comply with the license for elements of the material in the public domain or where your use is permitted by an applicable exception or limitation . No warranties are given. The license may not give you all of the permissions necessary for your intended use. For example, other rights such as publicity, privacy, or moral rights may limit how you use the material. What Is a Conditional Sales Contract? How to Write a Bill of Sale in... What Remedies Does a Seller Have... The Difference Between Official... Is a Sales Contract Legal If Just... Why Should You Have a Spousal Consent... Letter of Understanding Vs. Letter... What Is a Blanket Purchase Order? What Does "FOB" Mean in Accounting? Purchase Order Vs. Sales Receipt... Contract Cancellation Laws in Oregon Georgia Lease Option Contract Laws Gross Sales vs. Gross Receipts Document that transfers ownership of goods?This article has multiple issues. Please help improve it or discuss these issues on the talk page. (Learn how and when to remove these messages) This article needs additional citations for verification. Please help improve this article by adding citations to reliable sources. Unourced material may be challenged and removed.Find sources: "Bill of sale" - news - newspapers - books - scholar - JSTOR (February 2008) (Learn how and when to remove this message) The examples and perspective in this article may not represent a worldwide view of the subject. You may improve this article, discuss the issue on the talk page, or create a new article, as appropriate. (December 2010) (Learn how and when to remove this message) A bill of sale is a document that transfers ownership of goods from one person to another. It is used in situations where the former owner transfers possession of the goods to a new owner. Bills of sale may be used in a wide variety of transactions: to sell goods, exchange, give, or mortgage objects. They can be used only to transfer ownership of goods that people already own or to transfer ownership of moveable tangible goods and only by individuals and unincorporated businesses. Bills of sale exist in common law quite independently of any legislation. In England and Wales, they are regulated by two Victorian pieces of legislation: the Bills of Sale Act 1878 (41 & 42 Vict. c. 31) and the Bills of Sale Act (1878) Amendment Act 1892 (45 & 46 Vict. c. 43). This area of the law was subject to review by the Law Commission, which published a proposal for change in 2017.[1] This section needs additional citations for verification. Please help improve this article by adding citations to reliable sources in this section. Unourced material may be challenged and removed.Find sources: "Bill of sale" - news - newspapers - books - scholar - JSTOR (December 2024) (Learn how and when to remove this message) The term "bill of sale" originally referred to any writing by which an absolute disposition of personality for value was effected or evidenced. A common feature of such dispositions is that the owner mortgagor remains in possession and exercises all the attendant rights of ownership, which may be so overwhelming as to induce a third party to accept the same chattel as security for a grant, albeit without notice of the first mortgage. This scenario made the bill of sale a veritable tool of fraud. The evolution of various bills of sale laws, within the US, was to curb the use of the bill of sale as a means of defrauding innocent persons. A bill of sale has been defined as a legal document made by the seller to a purchaser, reporting that on a specific date at a specific locality and for a particular sum of money or other value received, the seller sold to the purchaser a specific item of personal property or parcel of real property of which he had lawful possession. Black's Law Dictionary on its part defines a bill of sale as "an instrument for the conveyance of title to personal property, absolutely or by way of security". According to Omotola the bill of sale is "a form of legal mortgage of chattels". Bullen and Leake and Jacobs define a bill of sale as "a document transferring a proprietary interest in personal chattels from one individual (the "grantor") to another (the "grantee"), without possession being delivered to the grantee". In essence, a bill of sale is a written instrument showing the voluntary transfer of a right or interest or title to personal property, either by way of security or absolutely, from one person to another without the actual physical possession of the property leaving the owner and being delivered to the other party. It is clear from the definitions above that the bills of sale are essentially of two types: The absolute bill of sale and the conditional bill of sale.[2] Absolute bills of sale, which do not represent any form of security whatsoever, are simply documents evidencing assignments, transfers, and other assurances of personal chattels, which are substantially no more than mere contracts of sale of goods covered by the common law of contract and the sale of goods law. The conditional bill of sale refers to any assignment or transfer of personal chattels to a person by way of security for the payment of money. The conditional bill of sale creates a security in favour of the grantee of the bill whereby the grantee is given personal right of seizure giving right to a security interest of a possessory nature. There are other forms of security over goods such as a pledge and contractual lien which also only give right to a security interest of a possessory nature. An example of a conditional bill of sale can be found where a creditor gives a loan and has transferred to himself, as collateral or security for the loan, the title of the goods or other personal property of the debtor. The physical goods or other property however remains with the debtor. Bills of sale have existed at common law since at least the Middle Ages when they were most commonly used commercially in the shipping industry. As the general population began to own more personal goods in the Victorian era, bills of sale came to be used as a form of consumer credit. Lenders would extend credit on the security of: all and every the household goods, furniture, plate, linen, china, books, stock in trade, brewing utensils and all the effects.[3] Most often, people would grant bills of sale over their goods as security for a loan. Borrowers would transfer ownership of their goods to the lender, while retaining possession of them when making repayments. When the loan was repaid, the borrower would regain ownership. Bills of sale used in this way are known as "security bills". Sometimes, bills of sale would transfer ownership outright, such as when a person sold their goods to another while retaining possession. Bills of sale used for purposes other than borrowing money are known as "absolute bills". The increased use of bills of sale in the Victorian era created a "false wealth" problem. Potential purchasers and other lenders could be misled into thinking that the person in possession of goods still owned them. The person in possession could sell the goods or use them to secure another loan. In both cases, the transaction was fraudulent, but the purchaser or lender had no way of discovering that the goods were already subject to a bill of sale. United Kingdom legislationBills of Sale Act 1854Act of ParliamentParliament of the United KingdomLong titleAn Act for preventing Frauds upon Creditors by secret Bills of Sale of personal Chattels.Citation17 & 18 Vict. c. 36DatesRoyal assent10 July 1854Other legislationAmended byStatute Law Revision Act 1875 United Kingdom legislationBills of Sale Act 1866Act of ParliamentParliament of the United KingdomLong titleAn Act to amend the Bills of Sale Act, 1864.Citation29 & 30 Vict. c. 96DatesRoyal assent10 August 1866 United Kingdom legislationBills of Sale Act 1878Act of ParliamentParliament of the United KingdomCitation41 & 42 Vict. c. 31Other legislationRepeals/revokesBills of Sale Act 1854Bills of Sale Act 1866Amended byBills of Sale Act 1878) Amendment Act 1894Perjury Act 1911Statute Law Revision Act 1950Constitutional Reform Act 2005Status: AmendedText of statute as originally enactedText of the Bills of Sale Act 1878 as in force today (including any amendments) within the United Kingdom, from legislation.gov.uk. As a result, Parliament passed the Bills of Sale Act 1878 (41 & 42 Vict. c. 31). This largely replicated the provisions of an earlier Bills of Sale Act 1854 (17 & 18 Vict. c. 36