



# MODEL WARRANTY BILL OF SALE & GUIDELINES

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## 1. Overview

A company's ability to sell and purchase property is essential to its long-term life and vitality. A business saddled with excess merchandise or equipment lacks efficiency, directing critical funds towards maintenance, storage, or repair of unneeded property. And when it comes time to grow a business and purchase property to support that growth, companies must be sure that the seller does, in fact, own or have title to the desired items. A properly-drafted bill of sale can help in both circumstances.

Warranty bills of sale are important business documents. They not only provide records of events, but also protect the rights of all parties to a transaction. Moreover, bills of sale are a required part of a company's financial documents, useful for tax reporting and general accounting purposes.

If you follow the enclosed sample and guidelines, you will have a written acknowledgment of the rights and responsibilities being transferred as part of a property sale. This will provide essential documentation of your ownership and liability obligations and you will be well on your way to establishing a clear record of title for all of your property.

## 2. Dos & Don'ts Checklist

- It's not necessary to fill out a bill of sale for every deal made in the ordinary course of business. In many situations, a simple receipt will suffice. However, if you are buying or selling expensive or unique property – or anticipate that ownership of a piece of property may come into question at a later date – it is important to make sure that a complete bill of sale is signed and witnessed.
- Keep a log to track property exchanges, whether you are the buyer or the seller. We recommend that you create a numbering system - this will prove valuable when you are searching for a specific sale.
- Be sure to keep a copy of every bill of sale issued, either by saving an electronic copy on your hard drive or by making a physical copy of the document given to your customer. An itemized record will be useful for tax and accounting purposes.
- Getting the correct name and physical address of the other party to your deal is essential. If a question emerges about property title, you'll need to get in immediate contact with that person or company.
- General bills of sale (like the one contained in this package) are generally used to transfer personal property, like furniture and equipment, and not real estate. The sale or purchase of real estate requires different documents entirely, and the recordation of those documents with local government offices. In addition, some types of personal property (like cars or boats) require more information and separate forms to complete an official transfer of title.
- To transfer intellectual property (like copyrights, trademarks, or patents), the seller can only transmit his or her interest using a document called an "assignment." A bill of sale will not suffice to convey that interest.

- If you are selling the property, give the buyer a completed bill of sale only after you have received your money and the transaction is complete. Since the bill of sale states that you have already been paid, it may be difficult to collect any outstanding amounts if the buyer has written evidence that its payment obligations are complete.

### 3. Warranty Bill of Sale Instructions

The following provision-by-provision instructions will help you understand the terms of your warranty bill of sale. Please review the entire document before starting your step-by-step process.

- **Purchase Price.** Write the purchase price in the first blank provided. Be sure to include the full price paid, including any previous down-payments that were made on the property.
- **Names of Parties.** Identifies the parties and the date of the agreement. One party to this bill is called the “Seller” and the other is called the “Buyer.” As you probably guessed, the Seller is the party that will sell the property and the Buyer is the party that will purchase it. If real estate, intellectual property, or titled goods (like cars) are being sold, use a more specific bill of sale and not the enclosed form.
- **Property Information.** The blank space provided allows you to describe fully the property you are buying or selling. Be as specific as possible, making sure that the item being sold can be identified clearly from the description. If there is a serial number on the property, write that down as well.
- **Property Title.** This paragraph is what is called a “warranty of ownership.” In other words, the Seller is guaranteeing the Buyer that it owns the property, and that no other people or companies have any rights to that property. If this later turns out not to be true, the Buyer can sue the Seller for damages.
- **Indemnity Clause.** In keeping with the Seller’s promise that it owns the property being sold, this provision indicates that the Seller will also be responsible for defending (or indemnifying) the Buyer against any third party’s claims to the property.
- **Condition of Property.** The Seller is not making any promises about whether or not the property is in perfect condition. Under the enclosed bill of sale, the property is being sold “as is” – in other words, what you see is what you get. Note, however, that if there are defects or problems with the property that the Seller knows about, the Seller should disclose those problems to the Buyer; this will limit future claims that the sale is void because the Buyer was misled or defrauded.
- **Signatures.** Only the Seller needs to sign the bill of sale. The sample form includes space for a witness’ signature as well, although this is not necessary in all states. However, if a third party witnesses the execution of the bill of sale, it may protect the parties from later claims of invalidity or lack of agency.

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**WARRANTY BILL OF SALE**

BE IT KNOWN, that for good and valuable consideration, and in payment of the sum of \$ \_\_\_\_\_, the receipt and sufficiency of which is hereby acknowledged, the undersigned \_\_\_\_\_ ( the "Seller") hereby grants, sells, and transfers to \_\_\_\_\_(the "Buyer") and its heirs, executors, administrators, successors, and assigns forever, the following described personal property (the "Property"):

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The Seller warrants to the Buyer it has good and marketable title to the Property, full authority to grant, sell, and transfer the Property, and that the Property is sold free and clear of all liens, claims, or other encumbrances.

The Seller further warrants to the Buyer that it will fully defend, protect, indemnify, and hold harmless the Buyer and its lawful heirs, executors, administrators, successors, and assigns from any adverse claims thereto.

The Property is otherwise sold in "as is" condition and where presently located

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.