



## Automotive Repairs

---

Parts and accessories installed in automotive vehicles are of the same nature as other sales of tangible personal property and are taxable. The taxable amount is the total charge made to the customer, with deductions there from allowed for service or labor charges if separately stated.

### SALES BY REPAIR SHOPS

On sales made by repair shops, the taxable amount is the total amount charged to the customer, less labor or service charges, if they are separately stated. Therefore, parts, fluids and accessories installed in automotive vehicles are subject to sales tax. Automobile dealers, garages and repairpersons must itemize parts, fluids, accessories, supplies and labor on customer invoices. If not itemized, the total invoice is subject to sales tax.

Shop supplies charged to a customer based on a flat charge or a percentage of other costs are also taxable. If exact charges for supplies are passed on to the customer without a mark-up and sales tax was paid by the repair shop when purchased, the charge for supplies would not be taxable.

If the repair of an automobile is subcontracted to another repairman by the customer's repairman, the subrepairman will charge sales tax to the customer's repairman on the retail price of the parts used in the repair job unless specifically instructed that the job is for resale, in which case the tax will be billed to the customer by the customer's repairman. In either case, an itemized bill from the subrepairman must be available to the customer to show that tax was charged by one or the other repairman.

### PURCHASES BY REPAIR SHOPS

Automobile dealers, garages, repairmen, etc., may purchase tax free only tangible personal property for resale. To qualify for this resale exemption, the item must become a physical component of or be permanently attached to the vehicle being serviced and sales tax must be collected by the repair shop for the amount charged to its customer.

The resale exemption does not apply and sales tax must be paid on purchases of service vehicles, machinery, equipment, supplies, tools or any other items purchased for a repair shop's own use or consumption. Supplies consumed during a repair include, but are not limited to, shop rags, sandpaper, masking tape, solvents, hand tools, rubbing compounds, paint thinner and cleaners.

## DEPOSITS

Deposits on parts or accessories, which are collected as a “core charge” or similar deposit and are held by the seller until the purchaser returns a used or exchange part, are considered part of the taxable purchase price of the part or accessory. Tax should be collected by the seller on the entire purchase price including the deposit. When the customer returns the used or exchange part for refund of deposit, the tax on the deposit should be refunded to the customer along with the deposit. If the store had remitted the sales tax charged on the deposit on a prior tax return, it will be allowed to take a trade-in deduction on the current tax return.

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN’S TERMS OF THE RELEVANT LOVELAND TAX LAW FOR THIS INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE LMTC (LOVELAND MUNICIPAL TAX CODE) AND APPLICABLE RULES AND REGULATIONS.