
AUTOMOTIVE SERVICE AND REPAIR SALES BY REPAIR/SERVICE SHOPS

The *Arvada Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail. A licensed repair shop selling parts and accessories is required to collect and remit City sales tax on the purchase price paid for the parts that are sold to customers.

PARTS

Parts are items used to repair or service a vehicle. They become part of the vehicle. Parts are easily quantifiable and have a fixed or define price value. Materials use to repair vehicles may also be treated as parts if they are itemized on the invoice with price and quantity such as *parts, and paint, etc.*

LABOR

Labor to install, affix, or repair articles of tangible personal property may be excluded from the taxable purchase price if it is separately stated from the charge for tangible personal property. Manufactured, fabricated, or other processing labor is not exempt and must be included in the taxable purchase price.

SUBLET REPAIRS

Subcontracted repair and services, is repair work to another repair shop, commonly referred to as a sublet repair. If the sublet repair includes charges for parts or fabrication labor, you are responsible not only for issuing a resale certificate to the person who performs the sublet repair work, but also for itemizing the sublet repair parts and labor on your customer invoice. The full amount charged for the sublet repair parts, including your markup, is taxable.

FEES

Delivery fees and other miscellaneous fees, charges, and overhead recoveries, including, but not limited to, freight, waste fees, environmental fees, handling fees, and shop supply recoveries must also be included in the taxable purchase price. This includes the waste tire fees.

CORE CHARGES

Core charges and other similar deposits, collected by a seller until the purchaser returns a used or exchanged part, are considered part of the taxable purchase price. When selling such items, the seller should collect tax on the full purchase price including the deposit. If the customer subsequently returns the used parts, the appropriate tax should then be refunded. If the return occurs in a subsequent period, and the tax from the original sales has already been remitted to the City, the seller may take a returned goods deduction on the next periodic City sales/use tax return (line 3H) provided the statute of limitation has not expired.

PURCHASES BY REPAIR/SERVICE SHOPS

Repair shops must pay Arvada sales tax on taxable items purchased, leased or rented for use in their shops, including supplies, tools and equipment. If Arvada sales tax is not paid at the time of the purchase then use tax must be remitted directly to the City.

SHOP SUPPLIES

Shop supplies that do not become an integral and inseparable component of an automobile are subject to sales and use tax when purchased by the repair shop. Such items include, but not limited to, *rags, cleaners, solvents, paint thinner or reducers, masking tape, hand tools, rubbing compounds, sandpaper, seat covers, floor mats, steering wheel covers, and gloves.* These items should not be passed on to the customer's invoices as a "Shop Supplies" charge.

Certain shop supplies, such as, *screws, nuts, bolts, wheel weights, wax, additives, plastic body filler, welding rods, filters and fasteners* do become a permanently attached to other parts and accessories during repair. Such items, when purchased to become permanently attached, affixed or combined as an integral and inseparable component of an automobile, may be purchased tax free with a resale certificate. If these items, are too small to be itemized on the customer's invoice they may be pass on the customer as a "Shop Supplies" charge that is taxed on the customers invoice.

INSURANCE CLAIMS AND REPAIRS

When you perform repair work that is covered by insurance, you will bill the insurance company the same way you would bill the customer as stated above.

WARRANTY WORK AND SERVICE CONTRACTS

When a customer brings a vehicle in for a repair that is covered under a service contract or warranty, you will bill the warranty company for the work done. Your charge to the warranty company for any parts that is covered under the warranty is not taxable. Any additional charges billed to the customer (such as charges for repair parts not covered by the warranty) are taxable.

EXAMPLES

1. A body shop purchases masking tape and degreaser for use in painting cars. These items are taxable to the body shop because they do not become permanently affixed to the car being painted. These are supplies, which are used and consumed by the body shop in rendering its service.
2. A repair shop purchases engine parts for installation on a customer's car. The repair shop can purchase these parts for resale, because they become a permanent part of the car being repaired. The repair shop would charge sales tax to its customer on the parts.
3. A customer purchases a rebuilt starter from an auto parts retailer for \$35.00 plus a \$10.00 deposit. The store should collect sales tax on \$45.00. When the customer returns his old starter to claim the \$10.00 deposit, the store should refund the \$10.00 deposit plus the sales tax paid on the \$10.00. If the customer traded in the old starter at the time of purchase, there would be no deposit collected and sales tax would be due only on the \$35.00 purchase price.

ARVADA MUNICIPAL CODE – Chapter 98 - Taxation

Sec. 98-70 (9) p.

Nontaxable service sales. The amount equal to the consideration for installation labor or services sold with tangible personal property, if such services are separately stated on the invoice from the tangible personal property sold; except that manufacturing or fabrication or other processing labor is never exempt.

RELATED TOPICS

WARRANTIES AND MAINTENANCE AGREEMENTS

THE ABOVE INFORMATION IS A SUMMARY IN LAYMAN'S TERMS OF THE RELEVANT ARVADA TAX LAW FOR THIS SUBJECT, INDUSTRY OR BUSINESS SEGMENT. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE ARVADA MUNICIPAL CODE. HOWEVER, THE TAX GUIDE SHALL BE USED IN CONJUNCTION WITH THE ARVADA MUNICIPAL CODE (CHAPTER 98) IN DETERMINING TAX LIABILITY.