

Motor Vehicle Towing, Washing, Rustproofing

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Sales Tax
Fact Sheet

What's New in 2016

We updated the layout to make this fact sheet easier to use.

Motor vehicle towing, washing, and rustproofing services are taxable. Purchases of certain items used or consumed in providing these taxable services are exempt. See “Exempt Purchases” on page 2.

Motor vehicle means any self-propelled vehicle required to be licensed for road use and any vehicle propelled or drawn by a self-propelled vehicle required to be licensed for road use. It includes vehicles such as cars, vans, pickups, trailers, and motorcycles. It does not include snowmobiles or manufactured homes.

Services

Towing services

The total price charged for towing a motor vehicle is taxable, including administrative fees relating to the service. For example, if car towing includes charges for calling authorities, check cashing, completing insurance forms, etc., the total amount billed is taxable even if the charges are separately stated on the customer's bill. Whenever possible, separately state the charge for sales tax on customer billings. The customer must be aware of the fact that sales tax was paid; therefore, if tax is not stated separately, the invoice must note that tax is included.

Taxable motor vehicle towing includes:

- towing, pulling, or transporting motor vehicles on a flatbed truck to a repair shop, to the owner's home or business, or to any other location
- towing snowbirds and other illegally parked motor vehicles to impound lots
- pulling or winching cars or other motor vehicles out of ditches
- recovery services, such as up-righting overturned semi tractors and trailers or other motor vehicles

Nontaxable services include:

- decking or stacking
- delivering fuel to stranded motorists
- jump starting vehicles
- roadside repair

- tire repair or other repair services on the road
- towing construction equipment or other equipment or machines that are not licensed for road use
- towing boats
- towing farm tractors or farm wagons
- towing auto hulks

Motor vehicle cleaning, rustproofing and undercoating services

Taxable services include:

- applying fabric protector
- cleaning services, interior and exterior
- coin-operated car washes and vacuums
- rustproofing
- undercoating
- vacuuming
- washing
- waxing

Applying **paint sealer** is not a taxable service unless it is part of the initial sale of a taxable product. Paint sealing materials may be purchased exempt only if used as part of the original sale of a taxable product.

Free car washes with a tank of gas or free with a coupon. The customer owes no sales tax for a free car wash. However, service providers must pay sales or use tax on the cost of all materials used to provide the free car wash.

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Charges for **coin-operated** car washes are taxable. Products sold through vending machines are also taxable. Since sales tax is included in the amount charged, you must subtract sales tax from receipts to

compute your sales and use tax correctly.

For more information, see Fact Sheet 158, *Vending Machines and Other Coin-Operated Devices*.

Purchases

Exempt purchases

Purchases of certain materials used or consumed in providing taxable washing, waxing, cleaning, rust-proofing, undercoating and towing services are exempt from tax. The materials must be used directly in providing the taxable service to qualify for the exemption. Examples include:

- chemicals to treat waste generated as a result of providing a taxable service
- deodorizers
- disposable rags
- electricity, natural gas and water used in providing taxable services
- fabric protection chemicals
- fuels to heat water
- lubricants and antifreeze for vehicles used while-directly providing taxable services (tow trucks)
- plugs for rustproofing
- rustproofing chemicals
- salt or softening agents for water used in providing taxable services
- soap
- utilities used in providing taxable services
- vacuum filters and bags
- wax

To claim exemption, give your vendor a completed Form ST3, *Certificate of Exemption*. Specify the resale exemption.

The exemption described above applies only to businesses providing taxable services and does not extend to individuals buying these materials for their own use.

Note: If you buy materials exempt from tax but use the materials when providing a nontaxable service or an administrative function, you must pay use tax. See “Use tax” on page 3.

Separate detachable units

Separate detachable units used in providing taxable services are exempt from sales or use tax. To qualify for exemption, the item must meet **all three** of the following requirements:

- It must be used in providing a taxable service.

- It must be an accessory tool, equipment, or other item that attaches to a machine while in use.
- Its ordinary useful life must be less than twelve months when used in providing taxable services under the normal use of the taxable service provider.

Examples of separate detachable units:

- abrasive and polishing belts
- cutting tools
- drill bits
- polishing strips and buffers
- saw wires or blades
- vacuum filters

Separate detachable units do not include the basic machine or any components included in the original purchase price. *Hand tools* such as hammers, pliers, clamps, wrenches, screwdrivers, crowbars, soldering irons, knives, and power hand tools, including vacuum cleaners, are not separate detachable units and are taxable. *Repair parts* are also taxable.

Taxable purchases

This exemption does not apply to equipment, implements, tools, accessories, appliances, furniture and fixtures. It also does not apply to utilities used for space heating or lighting, or to other taxable services. Purchases of materials used for general business or administrative purposes are taxable.

Pay sales tax to your supplier when you buy these items. If your supplier does not charge sales tax, you must report state and local use tax when you electronically file your sales and use tax return.

Examples include:

- appliances
- building cleaning and maintenance services
- chemicals, cleaning supplies, and water used to clean buildings and vehicles
- equipment and machinery
- fuel, electricity and gas used for space heating or lighting
- furniture
- lawn care services

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- linen supply or other laundry services
- office supplies
- repair parts
- security services
- specialty advertising materials

- telephone service
- tools
- tow chains
- training materials and supplies

Miscellaneous

Sales to nonprofit organizations

Qualifying nonprofit organizations must give you a completed Form ST3, *Certificate of Exemption* purchase items exempt from tax.

Equipment sales

If you sell or lease equipment or other items that are used in your business, the sale may be taxable. For information, see Fact Sheet 132, *Isolated and Occasional Sales*.

Resale

Goods. When you purchase items for resale, give your supplier a completed Form ST3, *Certificate of Exemption*. Specify the resale exemption.

Services. Car dealers, leasing companies, and service stations often subcontract with others for services like car washing, towing, and rustproofing. The cost of these services is included in the sales or lease price of the vehicle, or is billed directly to the customer by the dealer, lessor, or service station. The car dealer, leasing company, or service station may purchase these services exempt from sales tax by giving the subcontractor a completed Form ST3, *Certificate of Exemption*. Specify the resale exemption.

Local sales and use taxes

If you are located or working in an area with a local tax, local sales or use tax may also be due. Local taxes are listed and explained in detail in Fact Sheet 164, *Local Sales and Use Taxes*.

Use tax

If you buy taxable items or services that are used, stored or consumed in Minnesota without paying sales tax, you owe use tax. If you buy taxable items and pay another state's sales tax at a lower rate, you owe use tax based on the difference in tax rates. For more information, see Fact Sheet 146, *Use Tax for Businesses*.

How to report sales and use tax

You can report state and local sales and use taxes electronically at www.revenue.state.mn.us. If you do not have Internet access, you can file by phone at 1-800-570-3329.

For more information on how to file:

1. Go to our website, www.revenue.state.mn.us
2. Click "Sales and Use Tax"
3. Under "I need to file Sales and Use Tax...", click "Electronically" or "Phone".

Legal References

Minnesota Statutes 297A.61, subd. 3(6)(ii)

Minnesota Statutes 297A.68, subd. 3, Materials used in providing certain taxable services

Minnesota Statutes 297B.01, subd. 5, Motor vehicle

Revenue Notices

00-03, Exemptions: Materials Used or Consumed in Providing Taxable Services

Other fact sheets

132, Isolated and Occasional Sales

142, Sales to Governments

146, Use Tax for Businesses

158, Vending Machines and Other Coin-Operated Devices

164, Local Sales and Use Taxes