

Minnesota revenue notice

Revenue Notice # 91-20 Sales and Use Tax - Vehicle Accessories - Tax Base - Fabrication of Tangible Personal Property and Installation Charges

(Update: Revenue Notice #91-20 has been revoked by Revenue Notice #06-11.)

Minnesota Statutes § 297A.01, subd. 3 defines taxable "sale" and a taxable "purchase" to include the fabrication of tangible personal property.

Minnesota Statutes § 297A.01, subd. 8, when defining the "sales price" subject to tax, authorizes a deduction for installation labor if the consideration for such charges is separately stated.

Labor to install personal property that permanently modifies the vehicle is considered to be fabrication labor and taxable. Examples of such transactions, where the total charge to the customer for materials and labor is taxable, are as follows:

- installation of air conditioning system;
- installation of sunroof, both pop-up and electric;
- installation of remote car starters;
- installation of power windows and power locks;
- installation of window defrosters and window tinting.

Labor to install personal property that is readily removable or transferable to another vehicle is not considered to be a permanent modification and the labor charges are considered to be exempt installation charges, if the consideration for such charges is separately stated. Examples of such transactions are:

- installation of running boards;
- installation of theft alarms;
- installation of a radio/sound system in a car which did not have either a radio or speakers;
- installation of component parts or an upgrade to an existing sound system;
- installation of speed control.

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