

MINNESOTA DEPARTMENT OF REVENUE

Modification of Revenue Notice #93-21

Revenue Notice # 93-21: Sales and Use Tax – Automotive Repair, Paint, and Body Shops – Labor, Parts, and Supplies*

*With modifications shown (see “Key” below).

Labor Charges

~~Minnesota Statutes § 297A.01, subd. 1~~ Minnesota Statutes, section 297A.61, subdivision 3, defines taxable "sale" which includes the transfer of tangible personal property and the furnishing of specific services but does not include repair labor.

Effective January 1, 2002, the definition of sales price in Minnesota Statutes § 297A.01, subd. 8 defines "sales price": and provides for a deduction for installation labor if the consideration for such charges is separately stated Minnesota Statutes, section 297A.61, subdivision 7, was amended to include installation labor when part of a taxable sale. Installation charges are part of the sales price, even if they are separately stated.

Labor to install personal property that permanently modifies a vehicle is considered to be fabrication labor and is taxable. See Revenue Notice ~~06-11 #91-20~~.

Repair and installation labor performed by service stations, body shops, garages, paint shops, and automotive dealers is not taxable if it is separately stated on the bill or invoice. Failure to separately state exempt labor and taxable parts would cause the entire amount to be taxable.

The recapping or retreading of a tire carcass supplied by a customer is a repair. If the materials and labor are separately stated, only the materials portion is taxable.

Repair and Replacement Parts

The retail sale of repair or replacement parts and materials is subject to the sales tax. Automotive repairers may purchase these parts and materials exempt from sales tax for the purpose of resale since they are generally transferred to the customer during the course of the repair in a form or quantity capable of a fixed or definite value and generally itemized separately on the bill or invoice.

The following are examples of items that would generally be subject to sales tax when sold by the auto repairer:

Batteries, bulbs, chassis parts, engine parts, headlamps, oil and air filters, shock absorbers, spark plugs, tires, and windshields.

Some automotive repairs can be made when the value of the parts or materials is insignificant compared to the total charge for the labor or service. If the retail value (the repairer's normal retail selling price) of the parts or materials furnished in connection with the repair work is insignificant, the materials or parts are not taxable unless they are separately stated on the billing. If the parts or materials are not separately stated, the total labor or service charge is not taxable but the repairer must pay the supplier tax on the materials, or pay use tax on the cost of the materials or parts.

The following are examples of repair services where the repairer could elect to not charge sales tax on parts and materials:

Lube jobs, wheel packs, packing U joints, wheel balancing.

Repair and Body Shop Supplies and Paint

When supplies are used or consumed in rendering repair services, the repairer cannot purchase the supplies exempt for resale. The supplies are subject to tax at the time of the purchase by the repairer. Generally, the supplies are not physically transferred to the customer and a retail sale has not occurred. Some supplies may become a component part of the repaired items but they are transferred in irregular quantities and not in a form or quantity capable of a fixed or definite price value, and therefore the repairer is deemed to be the consumer of the supplies.

For insurance purposes, body shops are reimbursed for supplies on a formula basis and the department takes the position that formula reimbursement does not constitute a sufficient itemization of the quantity and form of the supplies used to enable the supplies to be purchased exempt for resale. Body shops which separately itemize on their invoices the amounts for labor, parts and for shop supplies, should collect sales tax on the parts but not on the labor or shop supplies. A charge for shop supplies is considered an extension of the charge for repair labor and is not regarded as a sale of tangible personal property; consequently, no tax is due on the charge.

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Revenue Notice # 93-21: Sales and Use Tax – Automotive Repair, Paint, and Body Shops – Labor, Parts, and Supplies**

**As modified

Labor Charges

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Effective January 1, 2002, the definition of sales price in *Minnesota Statutes*, section 297A.61, subdivision 7, was amended to include installation labor when part of a taxable sale. Installation charges are part of the sales price, even if they are separately stated.

Labor to install personal property that permanently modifies a vehicle is considered to be fabrication labor and is taxable. See Revenue Notice 06-11.

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The following are examples of items generally included in the category of shop supplies:

Abrasives, battery water, body filler or putty, bondo®, bolts and nuts, brake fluid, buffing pads, chamois, cleaning compounds, degreasing compounds, floor dry, glaze, grease, grinding discs, hydraulic jack oil, lubricants, masking tape, oxygen and acetylene, paint, polishes, primer, rags, razor blades, sand paper, sanding discs, scuff pads, sealer, solder, solvents, striping tape, tack cloth, thinner, waxes, and welding rods.

Tools and Equipment

All purchases of tools and equipment for use by automotive repairers are subject to sales tax. The repairer is the consumer of these items since they are not transferred to the customer and therefore the repairer should pay tax to the vendor at the time of purchase.

The following are examples of items which are considered to be tools and equipment:

Air compressors and parts, buffers, floor jacks, frame straightening equipment, hand tools, paint brushes, paint sprayers, power tools, sanders, and welding equipment.

Waste Disposal Fees

Amounts billed to customers relating to charges for disposing of hazardous waste (chemicals used in parts washers, battery fees, or special charges for disposing of tires) are not taxable to the customer when separately stated on the billing.

JOHN H. MANSUN, Assistant Commissioner
for Tax Policy and External Relations
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