

How to buy, bill and charge sales tax on parts in different types of vehicle and vessel (V/V) repairs.

Situation	Do you charge the customer sales tax?	Who pays sales tax on parts used in the repair?	How do you bill sales tax for the repair?
Repair on V/V that's not under warranty			
You repair a V/V and charge the customer for parts	Yes	The customer pays tax on the repair parts. You buy the repair parts exempt for resale.	Bill the customer tax only on parts, if you state them separately from labor on the invoice. Otherwise, bill tax on both parts and labor.
Repairs on V/V that's under mandatory warranty			
You repair a V/V that's under a mandatory warranty	No	No one. The customer paid tax when he or she bought the mandatory warranty with the V/V. You buy the repair parts tax exempt for resale.	Don't bill tax.
You repair a V/V that's under a mandatory warranty <i>with a deductible</i>	Yes	The customer paid tax on the parts when he or she bought the mandatory warranty. You buy the repair parts tax exempt for resale. The customer owes tax on the deductible because it is a component of the original taxable mandatory warranty.	Bill the customer tax on the deductible. Don't bill the customer tax on parts.
You contract with a third party to repair a V/V that's under a mandatory warranty	No	No one. The customer paid tax on the parts when he or she bought the mandatory warranty. Both you and the third party buy the repair parts tax exempt for resale.	Don't bill the customer tax, and the third-party repair shop shouldn't bill you tax.
Repairs on a V/V that's under optional warranty			
You repair a V/V that's under an optional warranty	No	The warrantor pays tax on all parts.* If you're the warrantor: Pay tax on the parts when you buy them or take them from your inventory. If you're repairing for a third-party warrantor: Buy the parts tax exempt for resale.	Bill tax only on parts, if you state them separately from labor on the invoice. Otherwise, bill tax on both parts and labor.
You repair a V/V that's under an optional warranty <i>with a deductible</i>	No	The warrantor pays tax on all parts.* If you're the warrantor: Pay tax on the parts when you buy them or take them from your inventory. If you're repairing for a third-party warrantor: Buy the parts tax exempt for resale.	Bill tax only on parts, if you state them separately from labor on the invoice. Otherwise bill tax on both parts and labor.
You contract with a third party repair shop to repair a V/V that's under an optional warranty	No	The warrantor pays tax on all parts.* The repair shop buys the parts tax exempt for resale. If you're the warrantor: Pay tax on the parts, if the repair shop separately states them from labor on the invoice. Otherwise, you must pay tax on both parts and labor. If there's a third-party warrantor: It pays tax on the parts. You buy the parts exempt for resale from the repair shop.	If someone else is the warrantor, bill the warrantor tax on the parts if you state them separately from labor on the invoice. Otherwise, bill tax on both parts and labor.
Other repairs			
You repair a V/V that's in your dealer inventory	No	The customer pays tax on the V/V when you sell it. (The cost of the parts will be part of the sales price.) You buy the repair parts tax exempt for resale.	Bill the customer tax on the sales price of the V/V. Don't separately bill the customer tax on parts.
You contract with a third party to repair a V/V that's not under warranty	Yes	The customer pays tax on the repair parts. Both you and the third party buy the repair parts tax exempt for resale.	Bill the customer tax on the parts only, if you state them separately from labor on the invoice. Otherwise, bill tax on both parts and labor.

* No one paid tax on the parts when the customer bought the optional warranty.

