

Motor Vehicles: Repairs

How to buy, bill, and charge sales tax on parts in different types of vehicle repairs.

Situation	Is tax due from the customer?	Who pays tax on parts used in repair?	How is tax for the repair billed?
General rule			
You repair a vehicle and charge the customer for parts	Yes	The customer pays tax on the repair parts.	<ul style="list-style-type: none"> You buy the repair parts exempt (for resale). Separately state and tax the parts on the customer's invoice.
Repairs on vehicles that are under mandatory warranty			
You repair a vehicle that's under a mandatory warranty	No	Parts used in a mandatory warranty are considered taxed. The tax was paid by the customer, when they bought the vehicle.	Tax on parts was paid by the customer when they bought the mandatory warranty. <ul style="list-style-type: none"> You buy the repair parts exempt (for resale). If you're the seller of the warranty: No tax is due. If you're repairing for a third-party warranty: Don't charge sales tax when you bill the seller of the warranty.
You repair a vehicle that's under a mandatory warranty with a deductible	Yes	Parts used in a mandatory warranty are considered taxed. The deductible is part of the original mandatory warranty. Tax is due on the entire deductible.	<ul style="list-style-type: none"> You buy the repair parts exempt (for resale). The deductible for a mandatory warranty increases the taxable sales price of the original mandatory warranty. The deductible is billed to the customer and is fully taxable.
A third-party repair shop does repair work on a vehicle that's under a mandatory warranty	No	Parts used in a mandatory warranty are considered taxed. The tax was paid by the customer, when they bought the vehicle.	<ul style="list-style-type: none"> You buy the repair parts exempt (for resale). Don't charge sales tax when you bill the seller of the warranty.
Repairs on vehicles that are under optional warranty			
You repair a vehicle that's under an optional warranty	No	Parts used in an optional warranty weren't taxed when the warranty was bought. The seller of the warranty pays tax on all parts used in repairing a vehicle under an optional warranty.	<ul style="list-style-type: none"> If you're the seller of the warranty: Pay tax on the parts when you buy them or when you take them from your resale inventory. If you're repairing for a third-party warrantor: Buy the parts exempt (for resale). Separately state and tax the parts on the invoice to the seller of the warranty.
You repair a vehicle that's under an optional warranty with a deductible	No	The seller of the warranty pays tax on all parts used in repairing a vehicle under an optional warranty.	<ul style="list-style-type: none"> If you're the seller of the warranty: Pay tax on the parts when you buy them. If you're repairing for a third-party warrantor: Buy the parts exempt (for resale). Separately state and tax the parts on the invoice to the seller of the warranty.
A third-party repair shop does repair work on a vehicle that's under an optional warranty	No	The seller of the warranty pays tax on all parts used in repairing a vehicle under an optional warranty.	<ul style="list-style-type: none"> If you sold the warranty: Pay tax to the third-party repair shop when you buy the parts. If you're repairing for a third-party warranty seller: You buy the repair parts exempt (for resale). Separately state and tax the parts on the invoice to the seller of the warranty.
Other repairs			
You repair a vehicle that's in your dealer inventory	No	The cost of the parts will be part of the sales price when you sell the vehicle.	<ul style="list-style-type: none"> You buy the repair parts exempt (for resale).
A third party does the repair work; the customer will pay for the parts	Yes	The customer pays tax on the repair parts.	<ul style="list-style-type: none"> You buy the repair parts exempt (for resale). Separately state and tax the parts on the customer's invoice.