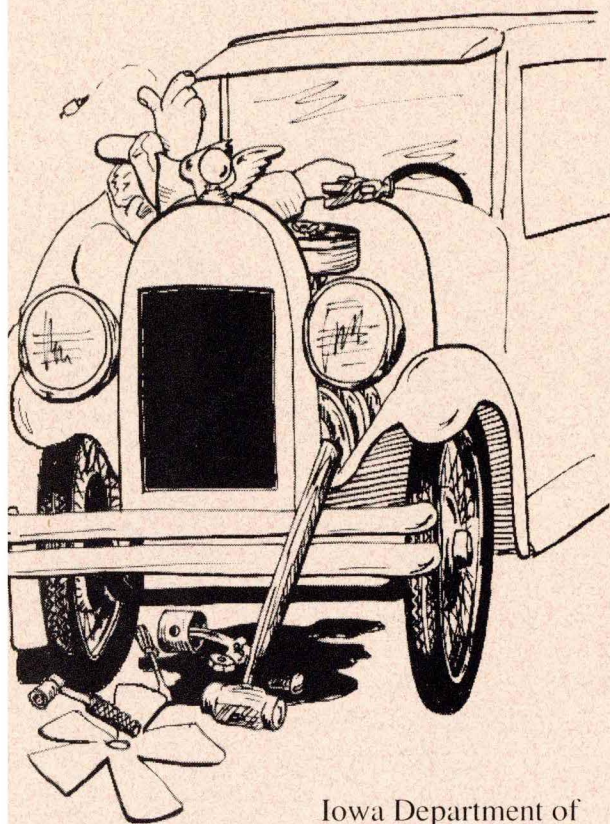


Iowa Sales and Use  
Tax Information for

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# AUTO REPAIR AND BODY SHOPS



Iowa Department of  
REVENUE and FINANCE

Automobile repair in Iowa is taxable to the final consumer. Repair is defined as any type of restoration, renovation or replacement of any motor, engine, working parts, accessories, body or interior of motor vehicles. Repair does NOT include the installation of new parts or accessories which are not replacements but are added to vehicles. These installations are exempt unless they involve a service that is ordinarily taxable. However, all sales of parts and accessories are taxable to the final consumer, even if the labor to install them is not.

## Taxable Materials

Auto shops are considered final consumers of certain materials used in servicing and repairing motor vehicles. These materials are taxable when purchased by the auto shop because they are not normally transferred in a form or quantity capable of a fixed or definite price value.

The following is a list of frequently used materials that are normally taxable when purchased by auto shops. Taxable materials are not limited to this list:

abrasives	polishes
accessories	rags
battery water	rivets and cotter pins
body filler or putty	sand paper
body lead	sanding discs
bolts, nuts and washers	scuff pads
brake fluid*	sealer and primer
buffing pads	sheet metal
chamois	solder
cleaning compounds	solvents
degreasing compounds	spark plug sand
floor dry	striping tape
hydraulic jack oil	thinner
lubricants*	upholstery tacks
masking tape	waxes
paint	white sidewall cleaner

\* These and other automotive fluids are exempt when purchased by a retailer if (1) the retailer

installs the fluids (2) the installation of the fluid is part of the taxable service being performed or (3) the fluid is installed in a vehicle that will be resold by the retailer.

Automotive fluids include fluids that are refined, manufactured or otherwise processed and packaged for sale prior to their installation in a motor vehicle. They include but are not limited to motor oil and other lubricants, hydraulic fluids, brake fluid, transmission fluid, sealants, undercoatings, anti-freeze and gasoline additives.

## Taxable Tools and Supplies

The following are examples of shop tools and supplies which are not generally transferred to the customer during repair. They should not be purchased for resale. At the time of purchase, tax should be paid by the auto shop to the seller of the tools. Taxable tools and supplies are not limited to this list.

air compressors and parts  
body frame straightening  
equipment  
brooms and mops  
buffers  
chisels  
drill bits  
drop cords  
equipment parts  
fire extinguisher fluids  
floor jacks  
hand soap

hand tools  
office supplies  
paint brushes  
paint sprayers  
sanders  
spreaders for putty  
signs  
washing equipment and  
parts  
welding equipment and  
parts

## Purchases for Resale

Tangible personal property purchased for resale by auto shops is exempt. Resale purchases must meet ALL of the following conditions: (1) The property purchased for resale is transferred to the shop's customer by becoming a part of the repair work, (2) the property purchased for resale is itemized separately on the invoice to the shop's customer and (3) the property is transferred to the customer in a

form or quantity capable of a fixed or definite price value.

The auto shop should present the supplier with a sales tax exemption certificate at the time of the purchase. The supplier should keep the certificate with other records to show that no sales tax was required.

Examples of parts which might be purchased for resale (parts are not limited to this list):

batteries	hoods
brackets	hub caps
bulbs	radiators
bumpers	rocker panels
cab corners	shock absorbers
chassis parts	side molding
doors	spark plugs
door guards	tires
door handles	trim
engine parts	trunk lids
fenders	wheels
floor mats	window glass
grills	windshield ribbon
headlamps	windshields

## Services Used in Processing

Similar to purchases for resale, auto services that recondition or repair motor vehicles are exempt when the motor vehicle repaired is normally sold in the regular course of the retailer's business and is held for resale. Use tax will be collected from the sale of the motor vehicle when it is sold to a consumer.

*Example:* A used car dealer owns a car lot and contracts with a repair shop to repair a used car that the dealer is going to sell. The dealer can purchase the repair service and parts from the shop tax free because the dealer regularly sells cars and tax will be paid when the car is sold and registered with the county treasurer.

## Itemized Bills

Auto shops may itemize bills, showing which items are services, which are parts and which are consumed materials (materials used in repair that do not become a part of the vehicle). When itemizing occurs, shops should collect sales tax on the services and parts, but not on the consumed materials. If the bill is not itemized, the full charge is subject to tax.

*Example:* An auto shop replaces a fender and paints a motor vehicle. The shop uses rags, sealer and primer, paint, solder, thinner, bolts, nuts and washers, masking tape, sandpaper, waxes, buffing pads, chamois, and polishes. In the invoice to the customer, the labor is separately listed at \$300, the fender is listed at \$300, and the category of "materials" is listed at a lump sum of \$100 for a total billing of \$700.

The shop computes the sales tax on \$600, which is the amount of labor and parts. The materials should not be included in the tax amount; no sales tax is charged on the \$100 because the auto shop paid tax on the consumed materials at the time of purchase.

In this example, if the materials were not separately listed on the invoice, but had been included in either or both of the labor or part charges by marking up those charges, the auto shop would have to collect sales tax on the full charges for parts and labor even though tax was paid on the materials by the shop to its supplier at the time of purchase.

## Truck and Trailer Repair (Interstate Commerce)

Repairs of trucks or trailers performed in Iowa are subject to Iowa sales tax *whether or not the owner has an ICC exemption number* (or M.C. Docket Number). This includes both labor and parts.

*Example:* A delivery truck travelling from Kansas to Minnesota breaks down in Iowa. The truck needs a new fuel pump. Iowa sales tax is charged on the labor performed and the parts used in the repairs.

# Household Hazardous Material Permits

Retailers who sell household hazardous material products are required to purchase a permit from the Iowa Department of Revenue and Finance. These retailers are also required to participate in a consumer information program under rules administered by the Iowa Department of Natural Resources.

Household hazardous materials include, but are not limited to the following:

- motor oils (including but not limited to motor oil additives, motor oil filters, transmission fluid and engine lubricants)
- all fuels and all types of gas treatments, freeze-up products, gasoline additives and degreasers
- lead acid batteries
- windshield wiper solution, etc.

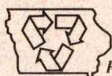
A regular household hazardous materials (HHM) permit is \$25 per year. A special permit fee for manufacturers or distributors using independent agents may be more depending on gross HHM sales. If you have questions about the permit process, contact the Iowa Department of Revenue and Finance. If you have questions about what products are considered hazardous, contact the Iowa Department of Natural Resources at 1-800-532-1114.

## QUESTIONS?

**Iowa Department of Revenue and Finance  
Taxpayer Services  
P. O. Box 10457  
Des Moines, Iowa 50306-0457**

If calling from Des Moines or from out of state,  
please call **(515) 281-3114**.

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