

Itemized Bills (Shop Supply Charge)

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.

Disposal of Items -A fee charged for the disposal of an item in connection with the performance of a taxable service is subject to sales tax if the disposal fee is not separately itemized on the bill. However, if the fee for the disposal is separately itemized, then the disposal fee is not subject to tax. Items that may be subject to a disposal fee in connection with vehicle repair include, but are not limited to, **air filters, oil, tires, and batteries**.

<http://www.iowa.gov/tax/educate/78523.html>

IA Code 701—18.31(422,423) (Further Reading)

Tangible personal property purchased by one who is engaged in the performance of a service. 18.31(1)

In general. (Effective July 1, 1990)

a. On and after July 1, 1990, tangible personal property purchased by one who is engaged in the performance of a service is purchased for resale and not subject to tax if (1) the provider and user of the service intend that a sale of the property will occur, and (2) the property is transferred to the user of the service in connection with the performance of the service in a form or quantity capable of a fixed or definite price value, and (3) the sale is evidenced by a separate charge for the identifiable piece or quantity of property.

b. Prior to July 1, 1990, in those circumstances in which tangible personal property is purchased by one who is engaged in the performance of a service and the property is transferred to the customer in conjunction with a performance of the service in a form or quantity which is capable of any fixed or definite price value, but the actual sale of the property is not indicated by a separate charge for the identifiable item, the burden of proving that the property was purchased for resale by one engaged in the performance of a service and not subject to tax at the time of purchase is upon the person engaged in the performance of a service who asserts this.

c. Tangible personal property which is not sold in the manner set forth in “a” or “b” above is not purchased for resale and thus is subject to tax at the time of purchase by one engaged in the performance of a service. Such tangible personal property is considered to be consumed by the purchaser who is engaged in the performance of a service and the person performing the service shall pay tax upon the sale at the time of purchase.

Example:

An automobile repair shop purchases solvents which are used in cleaning automobile parts and thus in performing its automobile repair service. Tax is due at the time the automobile repair shop purchases the solvent since the solvents are not sold to the customer and, in this case, the item is not transferred to a customer in a form or quantity which is capable of a fixed or definite price value. Thus, the solvent is deemed consumed by the purchaser engaged in the performance of the service.

18.31(2)

Purchases made by automobile body shops or garages with body shops

Tangible personal property purchased by body shops can be purchased for resale provided both of the following conditions are met:

1. The property purchased for resale is actually transferred to the body shop’s customer by becoming an ingredient or component part of the repair work. See Iowa Code section 422.42(2) and *Cedar Valley Leasing Inc.v.Iowa Department of Revenue*, 274 N.W.2d 357 (Iowa 1979).
2. The property purchased for resale is itemized as a separate item on the invoice to the body shop’s customer and is transferred to the customer in a form or quantity capable of a fixed or definite price value.

If either of the above two events is missing, there is no purchase for resale and the body shop is deemed the consumer of the item purchased.

When body shops purchase items which will be resold (see list of items in this rule) in the course of the repair activity, the vendors selling to the body shops are encouraged to accept a valid resale certificate at the time of purchase. See rule [701—15.3\(422,423\)](#). Failure of the vendor to accept a valid resale certificate may subject that vendor to sales tax liability since the burden of proof would be on the vendor that a sale was made for resale. If the vendor cannot meet that burden, the vendor will be liable for the sales tax. Such burden is not met merely by a showing that the purchaser had obtained from the department an Iowa retail sales tax or retail use tax permit.

For insurance purposes, body shops are reimbursed by insurance companies for “materials” which such shops consume in rendering repair services. Some of the materials are transferred to the recipients of the repair services and some are not. Of those so transferred, such transfer is in irregular quantities and is not in a form or quantity capable of a fixed or definite price value. Therefore, body shops are generally deemed to be the consumers of materials and must pay tax on these items at the time of purchase. Nonexclusive examples of items most likely to be included in this category of “materials,” whether actually transferred to customers of body shops or not, are as follows:

Abrasives	Brake fluid	Hydraulic jack oil
Accessories	Buffing pads	Lubricants
Battery water	Chamois	Masking tape
Body filler or putty	Cleaning compounds	Paint
Body lead	Degreasing compounds	Polishes
Bolts, nuts and washers	Floor dry	Rags

Rivets and cotter pins	Sheet metal	Thinner
Sand paper	Solder	Upholstery tacks
Sanding discs	Solvents	Waxes
Scuff pads	Spark plug sand	White sidewall cleaner
Sealer and primer	Striping tape	

The following are nonexclusive examples of parts which can be purchased for resale since they are generally transferred to the body shop's customer during the course of the repair in a form or quantity capable of a fixed or definite price value and are generally itemized separately as parts.

Batteries	Fenders	Spark plugs
Brackets	Floor mats	Tires
Bulbs	Grills	Trim
Bumpers	Headlamps	Trunk lids
Cab corners	Hoods	Wheels
Chassis parts	Hub caps	Window glass
Doors	Radiators	Windshield ribbon
Door guards	Rocker panels	Windshields
Door handles	Shock absorbers	
Engine parts	Side molding	

The following are nonexclusive examples of tools and supplies which are generally not transferred to the body shop's customer during the course of the repair and therefore could not be purchased for resale. The body shop is deemed the consumer of these items since they are not transferred to a customer and therefore the body shop must pay tax to the vendor at the time of purchase.

Air compressors and parts	Equipment parts	Sanders
Body frame straightening equipment	Fire extinguisher fluids	Spreaders for putty
Brooms and mops	Floor jacks	Signs
Buffers	Hand soap	Washing equipment and parts
Chisels	Hand tools	Welding equipment and parts
Drill bit	Office supplies	
Drop cords	Paint brushes	
	Paint sprayers	

Because of the nature of their business and the formulas devised by the insurance industry to reimburse body shops for cost of "materials," it is possible for body shops, in their invoices to their customers, to separately set forth labor, resold parts, and materials. While the materials can be separately invoiced as one general item, there is no way to ascertain a definite and fixed price for each item of the materials listed in this rule and consumed by the body shops and some of such individual materials are not even transferred by body shops to their customers. Therefore, the body shops are generally the "consumers" of "materials" and do not purchase them for resale. *W. J. Sandberg Co. v. Iowa State Board of Assessments and Review*, 225 Iowa 103, 278 N.W. 643 (1938). Thus, body shops should pay tax to their suppliers on all materials purchased and consumed by them. If materials are purchased from non-Iowa suppliers who do not collect Iowa tax from body shops, such body shops should remit consumer use tax to the Department of Revenue on such materials.

Body shops must collect sales tax on the taxable service of repairing motor vehicles. See rule [701—26.5\(422\)](#). However, due to the nature of the insurance formulas, it is possible for body shops to itemize that portion of their billing which would be for repair services and that portion relating to consumed "materials." It is also possible for body shops to itemize that portion of their charges for parts which they purchase for resale to their customers. Body shops do not and cannot resell the tools and supplies previously listed in this rule and are taxable on their purchases of such items.

Therefore, as long as body shops separately itemize on their invoices to their customers the amounts for labor, parts, and for “materials,” body shops should collect sales tax on the labor and the parts, but not on the materials as enumerated in this rule.

Example:

A body shop repairs a motor vehicle by replacing a fender and painting the vehicle. In doing the repair work, the body shop uses rags, sealer and primer, paint, solder, thinner, bolts, nuts and washers, masking tape, sandpaper, waxes, buffing pads, chamois, solder and polishes. In its invoice to the customer, the labor is separately listed at \$300, the part (fender) is separately listed at \$300, and the category of “materials” is separately listed for a lump sum of \$100, for a total billing of \$700. The Iowa sales tax computed by the body shop should be on \$600 which is the amount attributable to the labor and the parts. The materials consumed by the body shop were separately listed and would not be included in the tax base for “gross taxable services” as defined in Iowa Code subsection 422.42(16), which is taxable in Iowa Code section 422.43.

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 such charges, the body shop would have to collect sales tax on the full charges for parts or labor even though tax was paid on materials by the body shop to its supplier at time of purchase.

This rule is intended to implement Iowa Code sections 422.42, 422.43 and 423.2.