

# OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION  
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October 13, 2000

Re: Our file Number LR-00-106; Sales tax due on repairs to rental cars.

Dear

This is in response to your inquiry in which you give three scenarios about the sales tax consequences of the repair of vehicles. I have scanned into this letter your scenarios and questions. Each is followed by our response.

**Scenario # 1-** Rental car companies, known as "rent-a-car" or "RAC" companies are in the business of renting motor vehicles to the public on a daily or weekly basis. These leased vehicles are typically themselves leased by the RAC's from fleet leasing companies on a long-term (usually at least six months) basis. Alternatively, the RAC's may own their own vehicles for daily lease to the public. When a daily renter leases a car for one or more days, the renter is typically required to either buy insurance coverage at the time of the rental, or provide proof of its on insurance coverage. Once adequate insurance is proven and other arrangements are made, the renter takes possession of the vehicle.

Many times a RAC customer may be involved in an accident or otherwise causes damage to the rented vehicle. In these situations, the RAC notifies the renter's insurance company of the accident. After conducting its own investigation, the insurance company then gives the RAC a written estimate of the amount of damage, always broken down by parts, labor, materials, and applicable sales tax. Once accepted, by the RAC the insurance company sends a check for the amount of the estimate, including Sales Tax.

The RAC then contracts with a body shop to make the necessary repairs, when the repairs are complete, the RAC issues a resale certificate to the body shop, because the RAC is Tax Exempt on repairs to their vehicles, by Oklahoma Statute.

**Question for Scenario #1:** (A) Does the RAC remit the sales tax received from the insurance company to the Oklahoma Tax Commission? (B) Or is the insurance company required to pay sales tax to the RAC, in this case?

### ***Response for Scenario # 1***

In Oklahoma, body shops are the taxable consumer users of the goods used to make repairs. As such, they pay sales tax on their purchases and do not charge sales tax on the gross receipts of their repair services. Therefore the remittance received from the insurance company should be inclusive of the total price of the repairs, which normally will include an allowance for the sales tax that will have been paid on the parts used by the body shop.

**Scenario#2** - When an individual rents a vehicle from the RAC , and damages the vehicle, but does not involve an insurance company to pay for the damages. The RAC or rental car company, solicits an independent appraisal service, to estimate damages to the vehicle, including Sales Tax, then ask for payment from the renter including sales tax, then has vehicle repaired at an auto body shop, when repairs are complete, the RAC or rental car company issues a resale certificate on repairs, and does not pay Sales Tax to the body shop.

**Question for Scenario#2:** (A) Does the RAC remit Sales Tax received from the individual or renter to the Oklahoma Tax Commission? (B) Should the renter have paid Sales Tax to the RAC, when the RAC issued a resale certificate to the body shop when repairs were complete?

### ***Response for Scenario # 2***

In Oklahoma, body shops are the taxable consumer users of the goods used to make repairs. As such, they pay sales tax on their purchases and do not charge sales tax on the gross receipts of their repair services. Therefore the remittance you receive from the individual and that you make to the body shop should be inclusive of the total price of the repairs, which normally will include all costs of the body shop, including an allowance for the sales tax that will have been paid on the parts used by the body shop.

**Scenario#3** - Rental car companies in all cases either own or lease vehicles and buses to transport or shuttle customers from the airport to the rental agency, or from the rental agency to the airport. When damages occur, repairs of restoration, or normal wear and tear repairs are made

**Question for Scenario#3:** Are these repairs subject to Sales Tax under Oklahoma Law?

### ***Response for Scenario # 3***

In Oklahoma, body shops are the taxable consumer users of the goods used to make repairs. As such, they pay sales tax on their purchases and do not charge sales tax on the

gross receipts of their repair services. Therefore the remittance you make should be inclusive of the total price of the repairs, which normally will include all costs of the body shop, including an allowance for the sales tax that will have been paid on the parts used by the body shop.

Oklahoma Tax Commission Rule 710:65-19-13 dealing with body shops is enclosed.

This response applies only to the circumstances set out in your request of May 25, 2000. Pursuant to Commission Rule 710:1-3-73(e), this Letter Ruling may be generally relied upon **only** by the entity to whom it is issued, assuming that all pertinent facts have been accurately and completely stated, and that there has been no change in applicable law.

If I can be of further assistance, please feel free to contact me.

Sincerely,  
OKLAHOMA TAX COMMISSION

A handwritten signature in black ink, appearing to read "Michael G. Pillow". The signature is written in a cursive style with a large, sweeping flourish at the end.

Michael G. Pillow  
Tax Policy Analyst