OKLAHOMA TAX COMMISSION

TAX POLICY AND RESEARCH DIVISION
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December 17, 2004

Re: Our File Number LR-04-245; Sales tax on sales by "Automobile repairers"

This is in response to your inquiry concerning the sales tax responsibilities of persons engaged in the repair of automobiles.

The present rule concerning this subject is Oklahoma Tax Commission Rule 710:65-19-11. Similar language has been in the sales tax rules since at least March, 1989. The present paragraph which addresses your fact scenario reads as follows:

> "(b) **Automobile repairers.** Automobile repairmen or service centers are vendors of repair parts for motor vehicles if they purchase parts, mark them up and itemize parts by article and price. They should segregate on the invoices to their customers and in their records, the marked-up selling price of the parts, the charges for repair labor, and the charges for installation labor and other services. If the labor and other services are not thus shown separately from the selling price of the parts it will be presumed that the entire charge represents the sale price of the parts." [710:65-19-11]

Thus, your client is required to charge, collect and remit sales tax on the repair parts he is charging his customers.

Another paragraph of the rule sets out that the automobile repairer should charge sales tax on the "shop charge" that is separately stated on the invoice:

> c) **Parts utilized by the repairer.** Parts utilized by the repairer incidental to the repair service and not itemized and charged separately are considered to be used, not sold, by the repairman and are subject to sales or use tax at the time purchased by the repairman. If the repairman does purchase these items exempt and later uses the items, they are subject to sales tax on their **"sales value"**, as defined in *OAC* 710:65-1-2, at the time the items are withdrawn from inventory by the repairman for consumption or use. If instead, the repairman includes a **"shop charge"** on the bill or invoice to the customer, as a method of billing the customer for the incidental items that were purchased exempt from tax, the **"shop charge"** is subject to sales tax. [**See:** 68 O.S. Sections 1352, 1357, 1362(C)]

A complete copy of the rule is enclosed.

This response applies only to the circumstances set out in your request of November 30, 2004. 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

Michael G. Pillow
Tax Policy Analyst