

City of Colorado Springs

Tax Guide

Automotive Services, Repair Parts & Supplies

Purchases by Repair shops

Automotive repair shops purchase parts or other items to repair vehicles and resell to customers. As a general rule, in order for the purchase of an item by a repair shop to qualify for exemption from city sales or use tax, it must be purchased for resale, become a physical component of or be permanently attached to the vehicle being serviced. City sales tax must be charged by the repair shop on the selling price of that item. Resale purchases include items such as vehicle replacement parts, oil, paint, air filters, tires, and other materials or accessories affixed to the vehicle.

Purchases of items that are used or consumed by auto repair shops in performing repair services are taxable to the repair shop. Examples of these types of items include machinery or equipment, rags, solvents, hand tools, rubbing compounds, sandpaper, and paint thinner or reducer. The repair shop must pay sales tax to the vendor of these items if the vendor is licensed and authorized to collect and remit sales tax. If the vendor is not licensed and authorized to collect and remit sales tax, then the repair shop must pay use tax on the purchase directly to the City.

CS CODE SECTION

2.7.104 Words or Phrases
Automotive Vehicle
Price or Purchase Price
2.7.201, 2.7.443, 2.7.442, 2-7-603b

This guide provides an overview of specific subject matter and is not intended to be substituted for the full text within the City of Colorado Springs Tax Code.

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Question? email us at:
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Common Examples

1. A body shop purchases masking tape and degreaser for use in painting cars. These items are taxable to the body shop because they do not become permanently affixed to the car being painted. These are supplies which are used or consumed by the body shop in rendering its service.
2. A repair shop purchases engine parts for installation on a customer's car. The repair shop purchases these parts without tax because the part is for resale to their customer. The repair shop must charge sales tax to its customer on the sale of the parts.

Sales by Repair Shops

The full amount of the invoice is taxable unless the nontaxable service or labor charges are separately stated.



Deposits and Core Charges

Deposits on parts or accessories, which are collected as a "core charge" or similar deposit and are held by the seller until the customer returns a used or exchange part, are considered part of the taxable selling price of the part or accessory. The seller must collect sales tax on the entire selling price including the deposit. When the customer returns the used or exchange part for a refund of the deposit, sales tax on the deposit should be refunded to the customer along with the deposit.

Common Example

1. A customer purchases a rebuilt starter from an auto parts retailer for \$35.00 plus a \$10.00 core charge. The store must collect sales tax on \$45.00. When the customer returns the old starter to claim the \$10.00 deposit, the store should refund the \$10.00 deposit plus the sales tax paid on the \$10.00. If the customer trades in an old starter at the time of purchase, there is no deposit collected, sales tax applies only to the \$35.00 purchase price.