



CITY OF THORNTON

TAX INFORMATION -

AUTOMOTIVE REPAIR SHOPS

Sales & Use Tax Division
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GENERAL INFORMATION

The City of Thornton is a home rule city and imposes a 3.75% sales or use tax on the purchase price of tangible personal property or taxable services that are purchased, sold, leased or rented in the City of Thornton.

The following information applies to auto repair businesses that repair or provide maintenance services in Thornton. Applicability of sales and/or use tax in the automotive repair industry may be separated into two primary categories:

- Sales of products/services from the shop to a customer
- Purchases of items for resale or use within the business

SALES TO THE CUSTOMER

Parts

Tangible personal property which is itemized on the customer sales invoice is taxable at the retail selling price. Items classified into this category are typically individually inventoried and include items such as: tires/wheels, brake pads, alternators, radiators, windshields and motor oil. An auto repair shop would purchase these items as exempt for resale, place them into inventory and charge their customer sales tax at the time the item is sold.

Labor

Labor service is typically billed on the basis of time (number of minutes/hours) to perform the service. When separately stated on the invoice submitted to the customer, the labor service is not subject to City sales tax.

Manufacturing, fabrication, or other processing labor is not exempt and must be included in the taxable purchase price.

Miscellaneous Charges

Automotive repair shops may also invoice for delivery fees or other miscellaneous fees, charges, and overhead recoveries. These fees include but are not limited to: delivery fees, freight, waste fees, environmental fees, handling fees, and "shop supply" charges. These charges are subject to City sales tax and must be included in the taxable selling price.

Core charges and other similar deposits, collected by a seller until the purchaser returns a used or exchanged part, are considered part of the taxable purchase price. When selling such items, the seller should collect tax on the full purchase price including the deposit. If the customer subsequently returns the used part, the appropriate tax should then be refunded.

Example: Larry takes his vehicle to Thornton Auto Lube for an oil change. Thornton Auto Lube invoices Larry as follows:

5 Quarts of Oil	\$ 12.00
1 Oil Filter	\$ 6.00
0.5 Hour of Labor	\$ 22.00
Hazardous Materials Fee	\$ 3.00
Shop Supplies	\$ 2.20
Thornton Tax	\$ 0.87
Invoice Total	\$ 46.07

- *Non-taxable:*
 - 0.5 Hour of Labor (\$22.00)
 - Exempt labor service
- *Taxable:*
 - 5 Quarts of Oil (\$12.00)
 - 1 Oil Filter (\$6.00)
 - Materials purchased for resale
 - Hazardous Materials Fee (\$3.00)
 - Shop Supplies (10% of labor charge)

Thornton Auto Lube collected City tax of 3.75% on \$23.20 (\$12 + \$6 + \$3 + \$2.20), or \$0.87.

Maintenance Agreements

Maintenance agreements and extended warranties that encompass parts and labor are subject to City tax based on 30% of the contract. When maintenance agreements or extended warranties are sold to Thornton residents, the vendor needs to collect and remit sales tax on 30% of the contract price charged to the customer. In turn, when repair work covered by the extended warranty is completed for Thornton residents, no sales tax is charged to the warranty company on the repair order.

Example: ABC Auto sells an extended warranty for \$1,000 to Mary, a Thornton resident. ABC Auto would collect City tax on \$300 at 3.75%, or \$11.25.

Example: John, a Thornton resident, takes his car to XYZ Auto Repair to have work performed on that is covered by an extended warranty that was purchased at the time that John bought the car. XYZ Auto Repair completes the work and bills the warranty company for \$200 for the repair. Because City of Thornton tax was paid on 30% of extended warranty contract selling price at the time that car was purchased, no additional City tax is due on the parts used to complete the repair. If John was not a Thornton resident, XYZ Auto Repair would bill the warrant company for the \$200 repair charge plus tax on the selling price of the parts used in the repair.

PURCHASES BY AUTO REPAIR SHOP

Auto repair businesses purchase a variety of items both for resale to the customer and for use in the business. Purchases, leases and rentals of tangible personal property or taxable services for use in the business are subject to City sales/use tax, while purchases for resale to customers are exempt from tax.

In the event that Thornton tax is not collected by the supplier on purchases of items to be used in the business, the repair shop should remit use tax directly to the City of Thornton. Common types of purchases for the industry where use tax may be due include, but are not limited to: shop equipment, tools, consumables, and office supplies.

Purchases for Resale

The repair shop may purchase repair parts for resale without paying sales or use tax on the repair part. In order for this qualification be valid, *the item must be placed into inventory and specifically invoiced.* Invoicing miscellaneous supplies as a percentage of labor or a flat fee does not qualify as being specifically invoiced. If both criteria are not met, the item is subject to Thornton sales or use tax when purchased.

Supply Purchases

Examples of supplies which are typically not placed into inventory or specifically invoiced on the sales invoice (and therefore subject to Thornton sales/use tax at the time of purchase) include, but are not limited to:

- Electrical tape, brake cleaner, grease, power steering fluid, cotter pins, gloves, hose crimps, nuts, wheel weights, rivets, screws, drill bits, hand cleaner, paper floor mats, razor blades, sand paper, etc.

Example: Repair Shop, Inc. made a purchase of items from Auto Supply Company as follows:

4 Alternators	\$ 200.00
2 Radiators	\$ 100.00
20 Rolls of Tape	\$ 20.00
3 Boxes of Wheel Weights	\$ 25.00
1 Box of Shop Towels	\$ 18.00
1 Socket Set	\$ 40.00
Freight (FedEx)	\$ 12.00
Tax	\$ -
Invoice Total	\$ 415.00

No City sales tax is collected by Auto Supply Company at the time of the sale because Repair Shop, Inc. used their resale certificate to buy these items tax exempt for resale. Repair Shop, Inc. placed some of these items into inventory for resale at a later date and some items will be used by the business. Therefore, use tax is due as follows:

- *Inventory, Items Exempt for Resale:*
 - 4 Alternators (\$200.00)
 - 2 Radiators (\$100.00)
- *Non-Taxable*
 - Freight (\$12.00)
 - Third party common carrier

- *Taxable, items used by business or not placed into inventory and not to be specifically invoiced to customer at time of repair:*
 - 20 Rolls of Tape (\$20.00)
 - 1 Box of Shop Towels (\$18.00)
 - 1 Box of Wheel Weights (\$25.00)
 - 1 Socket Set (\$40.00)

Repair Shop, Inc. is therefore required to remit City use tax on 3.75% of \$103.00 (\$20 + \$18 + \$25 + \$40), or \$3.86.

Other Common Taxable Purchases

In addition to the items discussed above, the City finds that the following items are frequently overlooked for taxation:

- Items pulled from inventory for use
- Purchases related to business-owned, shuttle or complimentary customer vehicles
- Software (including software licenses and maintenance agreements) used in the business
- Maintenance agreements and extended warranty contracts for office and shop equipment
 - 30% of contract charges are subject to City tax
- Promotional or complimentary items given to customers
- Printed advertising materials
- Internet access and data communication services
- Uniform or mat cleaning services

TAXPAYER ASSISTANCE

The City of Thornton provides the following resources to answer your tax questions:

1. Thornton Municipal Code – This document establishes the tax laws of the City. This document is available on the website www.ThorntonCO.gov or you may request a copy by contacting the Sales Tax Division.
2. Determinations – Upon written request, the Finance Director will provide a determination on how City taxes apply in specific circumstances.
3. City Personnel – Staff are available Monday through Friday, 8:00 a.m. to 5:00 p.m. either by phone or in person. It is recommended that you call in advance to ensure a tax representative will be available for assistance. The phone number is 303-538-7400.
4. Free Workshops - Thornton's Tax Staff offer free Sales & Use Tax workshops periodically throughout the year. Please contact the Sales Tax Division at 303-538-7400 to find out when the next workshop will be offered.
5. Thornton and the State of Colorado have separate licensing and tax filing requirements for companies and persons engaged in business in Thornton. This brochure is intended to clarify applicable sales and use tax laws for Thornton City tax only. For information about the State of Colorado tax laws, you may contact the State of Colorado Department of Revenue directly at 303-238-7378.

Disclaimer: Nothing herein is intended to supersede, replace or constitute an addition to any provisions of the City's Sales and Use Tax Code. The information provided is intended to be a general overview. Because commercial situations vary and this guide cannot contemplate all such variations, any questions regarding taxability in a particular circumstance should be directed to the City's Finance Department.