
Tax Compliance Guide

Automotive Service & Repair Topic 302

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Sales by Repair Shops

The *Westminster Municipal Code* imposes a sales tax upon the purchase price paid for tangible personal property sold at retail. A licensed repair shop selling parts and accessories is required to collect and remit City sales tax on the purchase price paid for the parts.

Labor to install, affix, or repair articles of tangible personal property may be excluded from the taxable purchase price if it is separately stated from the charge for tangible personal property. Manufacturing, fabrication, or other processing labor is not exempt and must be included in the taxable purchase price.

Delivery fees and other miscellaneous fees, charges, and overhead recoveries, including, but not limited to, freight, waste fees, environmental fees, handling fees, and shop supply recoveries must also be included in the taxable purchase price. This includes the waste tire fee imposed by § 25-17-202 of the *Colorado Revised Statutes*.

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. If the return occurs in a subsequent period, and the tax from the original sale has already been remitted to the City, the seller may take a returned goods deduction on the next periodic City sales/use tax return (line 3H) provided the statute of limitations has not expired.

Purchases by Repair Shops

Repair shops must pay Westminster sales tax on taxable items and services purchased, leased, or rented for use in their shops, including supplies, tools, and equipment. If Westminster sales tax is not paid to a vendor licensed and authorized to collect the same, then a use tax must be remitted directly to the City. Credit may be taken

against Westminster use tax for legally imposed sales or use taxes paid to other municipalities. Such credit may not exceed the Westminster use tax due.

Shop supplies that do not become an integral and inseparable component of an automobile are subject to sales and use tax when purchased by a repair shop. Such items include, but are not limited to, paint thinners, reducers, masking tape, cleaners, solvents, rubbing compounds, shop rags, uniforms, masks, and gloves.

Certain shop supplies, such as screws, nuts, bolts, and fasteners do become permanently attached to other parts and accessories during repair. Such supplies, when purchased to become permanently attached, affixed or combined as an integral and inseparable component of an automobile, may be purchased tax free by licensed Westminster vendors.

Parts and accessories purchased for resale by a licensed repair shop may be purchased tax free for resale.

Examples

1. Customer A takes her vehicle to Shop B, a licensed repair shop, to have her oil changed. The shop charges her for an oil filter, 4 quarts of oil, half an hour of labor, EPA waste fee, and shop supplies (10% of the labor charge). Each charge was separately stated. The shop should collect tax on all of the charges except the half hour of labor.
2. Customer C purchases a new alternator at Retailer D, a licensed Westminster vendor. Retailer D charges Customer C a \$75 core charge. Retailer D should collect tax on the price of the alternator and the core charge. If Customer C returns his old alternator, he should be refunded the tax collected on the core charge.
3. Shop B purchases shop towels, floor dry, paint thinner, and some tools for their shop. Shop B purchases these supplies from an out-of-city vendor, who charges only Colorado tax. Shop B must pay a

use tax on the purchase price for these supplies on the next periodic City sales/use tax return (line 8).

Related Topics

Automotive Vehicles
Warranties

Citations

Westminster Municipal Code

§ 4-1-5. Retailer Responsible for Collection and Payment of Tax

§ 4-2-2. Definitions

§ 4-2-3. Rate; Imposition & Collection; Distribution

§ 4-2-5. Transactions and Items Subject to Tax

THIS GUIDANCE IS A SUMMARY IN LAYMEN'S TERMS OF THE RELEVANT WESTMINSTER TAX LAW FOR THIS TOPIC, INDUSTRY, OR BUSINESS SEGMENT. IT IS PROVIDED FOR THE CONVENIENCE OF TAXPAYERS AND IS NOT BINDING UPON THE CITY. IT IS NOT INTENDED FOR LEGAL PURPOSES TO BE SUBSTITUTED FOR THE FULL TEXT OF THE WESTMINSTER MUNICIPAL CODE AND APPLICABLE RULES AND REGULATIONS. THIS GUIDE DOES NOT CONSTITUTE A CITY TAX POLICY.

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