

RESALE EXEMPTION FOR AUTO BODY REPAIR SERVICES

Prior Law

Under prior law, retailers performing taxable services, which includes vehicle repair services, could only use the resale exemption if:

1. The provider and user of the service intend that the sale of the property will occur.
2. The property is transferred to the user of the service in connection with the performance of the service in a form or quality capable of a fixed or definite price value.
3. The sale is evidenced by a separate charge for the identifiable piece of property.

New Provisions

The criteria to claim the resale exemption for items purchased for use in connection with the performance of a taxable service now includes property that is “entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user.”

Although many of the items used by auto body repair shops could already be purchased tax free for resale under the existing guidelines, now there is no need for a separate charge for the piece of property if the property is entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user. Examples of such items include, but are not limited to, paint, putty, sand paper, and cleaning compounds.

Section Amended

Section 12 of 2012 Iowa Acts Senate File 2342 amends section 423.1, subsection 39, paragraphs b and c, Code Supplement 2011.

Effective Date

May 25, 2012