

The Louisville Municipal Code (LMC) 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 by the consumer for the parts and accessories.

Labor to install, affix, or repair tangible personal property is not subject to City sales tax if it is separately stated on the customer invoice. Manufacturing or fabrication labor is not exempt from City sales tax. If a repair shop sub-contracts a portion of a repair job to another repair shop, the sub repair shop should charge sales tax on any parts used for the work to the original repair shop on the invoice. Any invoice that reflects a lump sum amount is subject to City tax on the full amount.

Core charges or other similar deposits collected by the repair shop are subject to Louisville sales tax. If the customer returns the used part, the seller should refund the appropriate tax. When the repair shop has already remitted the tax collected on the original core charge or deposit to the City, the repair shop may deduct the amount refunded as “returned goods” on their next City tax return.

A repair shop may purchase certain shop supplies tax free when such items are to be resold or charged to the customer as a flat rate or percentage as part of the repair or service work. These items may include screws, nuts, fasteners, oil, fluids, filters, coils, spark plugs and other similar items that become permanently attached to other parts or accessories during repair, or become an integral and inseparable component of an automobile. Any such items must be charged separately to the customer and City sales tax collected on such parts or supplies.

Some purchases made by a repair shop are not tax exempt for resale and the shop should pay sales tax at the time of purchase. Some examples of items used or consumed directly by a repair shop include machinery, tools, equipment, shop rags, solvents, cleaners, sandpaper, masking tape, gloves, office supplies, computers, linen services and uniforms. If Louisville sales tax is not paid on these purchases, then use tax is due to the City. Credit will be given for legally imposed sales or use tax paid for purchases in other municipalities towards the Louisville tax due.

Examples

Customer A purchases a new battery from Louisville Repair Shop B. Repair Shop B charges the customer for the battery plus a \$40 core charge. The full price paid for the new battery and the core charge are subject to Louisville sales tax. If the customer returns the old battery, Repair Shop B should give a refund to the customer of \$40 plus tax.

Repair shop B subcontracts the rebuilding of a customer’s engine to repair shop C. Repair shop C rebuilds the engine and sends Repair Shop B an invoice for \$2,200. Repair shop B must charge Louisville sales tax on the \$2,200 to the customer because no itemized invoice was provided by the subcontracted shop. If the subcontracted shop had invoiced Repair Shop B \$1,300 in labor and \$900 in parts, Repair Shop B would have charged the customer sales tax on the parts only.

Customer D takes their automobile to a repair shop for an oil change. The customer is charged for an oil filter, 4 quarts of oil, one half hour of labor and \$6 for shop supplies. Louisville sales tax should be charged for everything except the labor.

The information contained in the Tax Guide publications is intended to offer general guidance in layman’s terms, for this topic, industry or business segment, and is not intended for legal purposes to be substituted for the full text of the Louisville Municipal Code rules and regulations. This guide does not constitute a city tax policy.

Repair Shop E purchases tools and shop brooms from a supply house located outside Louisville for delivery into the City. The supply house charges the shop State of Colorado and Cultural District sales taxes only. Repair Shop E owes City use tax on the full purchase price of the items delivered into the City of Louisville.

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