

Nebraska Sales and Use Tax Guide for Auto Body Specialists

Revised December, 2009

For more information, check our
website: revenue.nebraska.gov



The purpose of this information guide is to explain how Nebraska sales, use, income, and withholding tax programs apply to auto body specialists. Information guides are updated periodically to reflect statutory changes. Please contact the department to insure you are using the most current issue.

Updates are in Red boxes and explanations in Red.

This guidance document is advisory in nature but is binding on the Nebraska Department of Revenue (Department) until amended. A guidance document does not include internal procedural documents that only affect the internal operations of the Department and does not impose additional requirements or penalties on regulated parties or include confidential information or rules and regulations made in accordance with the Administrative Procedure Act. If you believe that this guidance document imposes additional requirements or penalties on regulated parties, you may request a review of the document.

This guidance document may change with updated information or added examples. The Department recommends you do not print this document. Instead, sign up for the [subscription service](http://revenue.nebraska.gov) at revenue.nebraska.gov to get updates on your topics of interest.

OVERVIEW

Every individual or entity engaged in business as an auto body specialist is a retailer. All retailers must obtain a Nebraska Sales Tax Permit and collect and remit the appropriate sales tax on all sales, or obtain a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13.

PURCHASES

Taxable Purchases

Auto body specialists are the consumers of all items, including **consumable shop supplies and equipment**, they use that do not become a part of the motor vehicle they are repairing or customizing.

Examples: *Air compressors, blasting equipment, abrasives, sprayers, solvents, buffing pads, paint thinner, polishing materials, masking tape, protective sheets, rags, sandpapers, waxes, reducers, **vinyl resins**, office equipment and supplies, and consumable shop supplies.*

"Vinyl resins" has been moved to the tax-free purchases list.

All purchases of these items are taxable. The Nebraska and applicable local sales tax must be paid at the time of purchase.

When items are purchased from a vendor who did not collect the Nebraska and applicable local sales tax, such as an out-of-state seller, auto body specialists are required to remit consumer's use tax on their cost of the items.

Please note: the tax is also due on delivery or shipping charges paid to the seller of such items..

Tax-Free Purchases

Auto body specialists may purchase tax-free items that will become a part of the motor vehicle they are repairing or customizing.

Examples: *Paint, body putty, **vinyl resins**, rivets, bolts, parts (fenders, panels, etc.).*

Documenting tax-free purchases. When auto body specialists purchase tax-free items from Nebraska vendors, they must provide a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13, Section A, to the vendor.

SALES

Taxable Sales

Auto body specialists must collect sales tax from their customers on charges for parts, detailing, paint, motor vehicle painting labor, fabrication labor and installation labor. These charges are taxable to the customer regardless of how they are stated on the invoice.

Charges for disposal fees, environmental fees, or other fees imposed by auto body specialists are taxable to the customer regardless of how the charges are stated on the customer's invoice.

Motor vehicle painting labor. Charges for motor vehicle painting labor are taxable.

Examples: *Detergent/solvent wash; masking adjacent panels or other items to prevent overspray damage; mixing materials, adjusting spray equipment; applying sealer; cleaning painting equipment; color matching; and two-tone refinish.*

Installation labor. Charges for installation labor are taxable when the item being installed is taxable, and when the item being installed was not previously a part of the vehicle being repaired or customized.

Example: *Installing running boards ~~or applying rust proofing~~ on a vehicle that did not previously have running boards ~~or rust proofing~~ is taxable.*

This example has been updated.

Production labor. Charges for production labor are taxable.

Examples: *Tinting windows, undercoating, customizing, or applying rust-proofing on a vehicle are taxable production labor.*

Production labor was not addressed in the prior guide.

Tax-Free Sales

Auto body specialists are not required to collect sales tax on separately stated repair labor charges or when their customers are exempt from payment of sales tax.

Repair labor. Charges for repair labor relating to the repair of a motor vehicle are not taxable **PROVIDED** such charges are separately stated on the customer's invoice. This does not apply to charges for motor vehicle painting labor which are taxable.

Examples: *Pulling a dent; applying body putty; or sanding body putty.*

Exempt customers. Nebraska and local sales tax is not required to be collected when the customer is exempt from sales tax **AND** the customer has provided a properly completed Form 13, Section B.

Most nonprofit organizations **are not** exempt from sales tax in Nebraska. In addition, not all governmental units are exempt from Nebraska sales tax.

For specific details regarding who is exempt from sales tax, please refer to the following, all of which are available from the department's website:

■ Nebraska Sales and Use Tax Regulations:

1-012, Exemptions

1-090, Nonprofit Organizations

1-091, Religious Organizations

1-092, Educational Institutions

1-093, Governmental Units

■ Information Guides:

Nonprofit Organizations

Governmental Units

GENERAL INFORMATION

Obtaining a Permit

A Nebraska Sales Tax Permit is obtained by filing a Nebraska Tax Application, Form 20, with the Nebraska Department of Revenue. This form is available on our Web site.

Remitting the Tax

Sales tax. The sales tax collected from customers is reported and remitted on the Nebraska and Local Sales and Use Tax Return, Form 10.

Please note: electronic filing of the Form 10 is available on our Web site to retailers who file their returns on a monthly or quarterly basis.

Consumer's use tax. Consumer's use tax is due on items that do not become part of the motor vehicle being customized or repaired (e.g., tools, rags, sandpaper, and other supply items) when sales tax has not been paid by the auto body specialist at the time of purchase. Consumer's use tax is reported and remitted on lines 4, 5, and 10 of the Form 10.

This has been updated.

If no use tax is due during a particular reporting period, a mark, line, number or other notation must be reported on the use tax lines to indicate that there is no use tax liability. Failure to do so may result in the statute of limitations for audit purposes being extended from three years to six years.

OTHER INFORMATION

Consumable Shop Supplies

Auto body specialists are the consumer's of **ALL** shop supplies. Therefore, regardless of how charges for consumable shop supplies are stated on the customer's invoice, auto body specialists **OWE** the tax on their cost of these supplies.

When the charge for consumable shop supplies is included in the charge for paint, painting labor, or parts, the total charge is taxable to the customer.

When the charge for consumable shop supplies is separately stated on the customer's invoice, the charge is not taxable to the customer.

Painting shop supplies. The gross receipts from charges for painting motor vehicles are taxable. The recovery of the cost of painting shop supplies is considered a part of the gross receipts from charges for painting motor vehicles. Therefore, regardless of how the charges for painting shop supplies are stated on the customer's invoice, auto body specialists **MUST** collect the Nebraska and applicable local sales tax on the gross receipts from charges for painting motor vehicles.

Detailing

Charges for detailing motor vehicles are taxable. If the customer is an entity that is exempt from sales tax as indicated in the "Exempt customers" section of this guide, and if the customer has provided a properly completed Form 13, Section B, then the charge for detailing is not taxable.

Motor vehicle dealers may not purchase detailing service tax free even if the detailing is being performed on inventory vehicles.

Towing

Charges for motor vehicle towing are taxable. Auto body specialists must pay Nebraska and applicable local sales tax on charges for

towing a motor vehicle to their shop for repair, customizing, or detailing. Towing service may not be purchased tax free by auto body specialists.

Auto body specialists **WILL NOT** collect sales tax from their customers on towing charges passed on to their customers **PROVIDED** the towing charge is separately stated on the customer's invoice.

Exception: If an auto body specialist is also in the business of providing towing service, then that auto body specialist may purchase towing service tax free **PROVIDED** the auto body specialist provides a properly completed Form 13, Section A, to the towing company.

An auto body specialist is considered to be in the business of providing towing service if the auto body specialist would tow a vehicle to a competing auto body specialist for repair, customizing or detailing.

Taxpayer assistance. For additional information, please contact the Nebraska Department of Revenue, PO Box 94818, Lincoln, NE 68509-4818, or call 800-742-7474 (NE and IA) or 402-471-5729.