



# State of Nevada Department of Taxation



Repairs and Reconditioning

# Repair Labor



- ❧ All tangible personal property is taxable unless specifically exempted
- ❧ Repair labor is considered a service and not subject to tax
  - ❧ Labor and parts must be separated on the invoices for tax to apply to the parts only
    - ❧ Example: \$750 part + \$250 repair labor = \$1,000 total
      - ❧ Tax is applied to the \$750
    - ❧ If a single charge is listed on the bill/invoice the entire amount is taxable regardless of the price of the parts
      - ❧ Example: \$1,000 labor and parts
        - ❧ Tax is applied to the \$1,000

# Repairs



## Repairmen as Retailers

- ❧ Value of the material is substantial to the total charge
  - ❧ Example: Total charge is \$1,000 and the part value is \$750
- ❧ Parts are separately states and sales tax is applied to the \$750

## Repairmen as Consumers

- ❧ Value of the material is insubstantial to the total charge and parts are not separately stated
- ❧ Use tax is reported by the repairmen if sales tax is not paid on parts or supplies

# Fabrication vs. Refurbishing Labor



- ❧ Fabrication Labor: used to change tangible personal property to another form and billed as a retail sale
  - ❧ Example: taking raw wood materials and making a desk and selling the item as a desk
    - ❧ The total selling price for the desk is taxable
- ❧ Refurbishing Labor: used to restore an item of tangible personal property for the use it was originally intended
  - ❧ Example: fixing a cabinet door that is damaged
    - ❧ The separately stated labor does not have the tax applied

# Painters, Polishers & Finishers



- ❧ Charges for painting, polishing and otherwise finishing tangible personal property in connection with the production of a finished product is taxable
  - ❧ Regardless of whether the article is supplied by the customer
- ❧ Exception to the rule:
  - ❧ Painting or finishing real property
  - ❧ Repainting or refinishing used articles
- ❧ Tax is due on the purchase of the paint or refinishing materials

# Replacement Parts



- ❧ Mandatory warranty OR warranty included in the price of the tangible personal property
  - ❧ Sales tax is charged on the sale of the warranty
    - ❧ Therefore, sales/use tax does not apply to the warranted parts
- ❧ Optional warranty
  - ❧ Sales tax is not charged on the sale of the warranty
    - ❧ Therefore, sales/use tax does apply to the warranted parts

# Delivery Charges



- ❧ Charges for transportation, shipping or postage that are charged as part of the sale of tangible personal property are no longer subject to sales tax if they are separately stated on the invoice
  - ❧ See Technical Bulletin SUT 15-0002
- ❧ Not to be confused with “freight-in”
  - ❧ These are charges incurred by the seller to acquire the inventory for resale and is a cost of doing business – if this direct charge is carried forward to the customer it is subject to sales tax.

# Absorption of Tax



- ❧ Sellers cannot advertise they will pay the sales tax on behalf of their customers
- ❧ Sellers can state sales tax is included in the selling price or they are giving a discount equal to the sales tax
  - ❧ If there is no such statement on the invoice, sales receipt or a sign posted notifying the customer that sales tax is included in the price then sales tax is due on the sales price of the tangible personal property.



# Summary



## ☞ Repairmen are retailers

☞ If parts are substantial or parts are separately stated

## ☞ Repairmen are consumers

☞ If parts are insubstantial and not separately stated

## ☞ Fabrication labor

☞ Taxable for retail sale

☞ Not-taxable for improvement to real property

## ☞ Repair/Refurbishing labor

☞ Not-taxable as long as the price is separately stated

# Reminder



☞ Please be advised that any responses by the Department made to inquires are only binding if they are in writing, such as Nevada Revised Statutes, Administrative Code, Technical Bulletins, Nevada Tax Notes and written correspondence

# Department Of Taxation

## Contact Information



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