HOUSE RESEARCH

Bill Summary

FILE NUMBER: H.F. 359 **DATE:** February 14, 2011

Version: As amended by the H0359DE1 amendment

Authors: Dill and others

Subject: Modifies the tax treatment of motor vehicle repair paints and supplies

Analyst: Pat Dalton

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Overview

Exempts the sale of repair paint and repair supplies to motor vehicle repair and body shop businesses from the sales tax and requires these items to be taxed at the final retail sale. Provides a method for calculating the taxable paint and repair supplies portion of a motor vehicle repair bill. Effective for sales after June 30, 2011.

Section

1 **Retail sale.** Adds the sale of motor vehicle repair paint and supplies to the definition of a taxable retail sale. Provides that the repair paint and supply portion of a bill can be calculated by subtracting the number of labor hours multiplied by an hourly rate from the bill. Allows the taxpayer to petition the commissioner of revenue to use another method to calculate the tax.

2 **Motor vehicle repair paint and supplies.** Defines repair paint and supplies for sales tax purposes. "Motor vehicle repair paint" includes primer, body paint, clear coat, and paint thinner. "Repair supplies" include items directly consumed in the repair process. They do not include items used to clean and maintain the shop or shop tools and equipment.

3 **Motor vehicle repair paint and supplies.** Exempts from sales tax the items defined in section 2 when purchased by motor vehicle repair and body shops.