Sales and Use Tax on Repair of Tangible Personal Property

How sales tax applies to the repair of tangible personal property.

Definitions

Tangible personal property is property that may be seen, weighed, measured, touched, or is in any manner perceptible to the senses. Tangible personal property should not be confused with **"real property,"** (also called "realty" or "real estate") which is defined as land, improvements there to, and fixtures.

What is Taxable?

Parts and Materials

When parts are furnished by a repair person, sales tax is due on the entire charge made to the customer for adjusting, applying, installing, maintaining, remodeling, or repairing tangible personal property, unless specifically exempt.

A repair person who is registered as a sales and use tax dealer may **purchase** materials and parts tax-exempt if they are incorporated into and become part of the tangible personal property being repaired (see "How Do I Register to Collect Sales Tax?"). These materials and parts include welding rods, solder, paint, thinner, oil, bolts, nuts, etc. Materials used that **do not** become a part of the property repaired, such as tools, sandpaper, steel wool, flux, detergents, etc., are taxable to the repair person as overhead items.

Repair Labor Only

Charges for repairs of tangible personal property requiring only labor or service are taxable, unless the dealer keeps documentation to prove that **no** tangible personal property was incorporated into or attached to the repaired item.

Charges for fabrication are taxable. Fabrication occurs when material is cut, threaded, shaped, bent, welded, sheared, punched, drilled, machined, or is changed in some way from its original state due to work performed on it.

Installation of Tangible Personal Property

The total amount charged for labor or services when parts are furnished in installing tangible personal property that is sold and does not become a part of realty is taxable, even though such charge may be separately stated.

Contractors and manufacturers who furnish and install the following items are considered to be retail dealers and are required to charge sales tax on the full price, including installation and any other charges.

- Carpets, except those that become real property
- Drapes, slipcovers, bedspreads, curtains, blinds, shades, etc.
- Garbage receptacles

- Household appliances
- Lawn markers
- Mailboxes
- Mirrors, except those that become real property
- Portable ice machines
- Precast clothesline poles
- Radio and television antennas
- Rugs
- Stepping stones
- Telegraphic equipment
- Telephone equipment
- Television satellite dishes
- Television system program service
- Window air-conditioning units

Repairs Shipped In/Out

When tangible personal property is **shipped into** Florida, then repaired and shipped back to its owner outside the state by common carrier or mail, the amount charged for the repair is exempt. If the tangible personal property is sent out of the state to be repaired and then returned to Florida, the transaction is taxable.

Maintenance or Service Warranty Contracts

Maintenance or service warranty contracts covering taxable, tangible personal property are taxable. A service warranty is defined as any contract or agreement for the cost of maintaining, repairing, or replacing tangible personal property. This does not include contracts or agreements covering tangible personal property that becomes a part of real property. The sale of an extended warranty for the maintenance, repair, or replacement of tangible personal property that is not incorporated into real property is subject to sales tax.

How Do I Register to Collect Sales Tax?

You can register to collect and remit sales tax via the Department's Internet site; go to **www.myflorida.com/dor** and click on e-Services. If you do not have Internet access, you can complete a paper *Application to Collect and/or Report Tax in Florida* (Form DR-1). Obtain Form DR-1 from your local DOR service center or one of the contacts listed below.

After your registration application is approved, you will receive a *Certificate of Registration* (Form DR-11), an *Annual Resale Certificate* (Form DR-13), and your tax return forms. The *Annual Resale Certificate* may be used to purchase materials and parts tax-exempt if they will be incorporated into and become part of the tangible personal property being repaired. You must present a signed copy of your *Annual Resale Certificate* to your supplier when making the purchase.

If materials purchased for resale are later used (not resold), the dealer must report and pay use tax on those items, plus any applicable penalties and interest. There are additional liabilities for intentional misuse of an annual resale certificate.

If you are unsure whether your business is required to collect and remit sales tax, contact Taxpayer Services (see "Whom to Call").

What is the Tax Rate?

Florida's general sales tax rate is 6%, however there is an established "bracket system" for collecting sales tax on any part of each total taxable sale that is less than a whole dollar amount. Florida counties are authorized to levy a discretionary sales surtax on most transactions in the county that are subject to sales and use tax. This surtax applies to charges for the repair of tangible personal property, unless specifically exempt. The tax is computed using the tax rate in the county in which repair is performed. For more information about discretionary sales surtax, ask for a *Discretionary Sales Surtax* brochure (Form GT-800019) and a list of surtax counties and rates (DR-15DSS).

How Is Tax Calculated?

Sales tax is calculated at the time of each transaction. When sales transactions fall between whole dollar amounts, use the bracket system to calculate tax. Under the bracket system, actual tax collected may be more than a straight percentage of the total sales made during the collection period. You can obtain a Sales Tax Rate Table (Form DR-2X) and individual bracket cards from one of the contacts listed below.

Reference Material

Tax Laws - Call Taxpayer Services to request a copy of Rule 12A-1.006, Florida Administrative Code, *Charges by Dealers Who Adjust, Apply, Alter, Install, Maintain, Remodel, or Repair Tangible Personal Property;* Rule 12A-1.051, F.A.C., *Sales to or by Contractors Who Repair, Alter, Improve and Construct Real Property;* and Rule 12A-1.105, F.A.C., *Service Warranties*. Tax rules are also available on the Department's Internet site. Look for the Florida Tax Law Library.

Brochures - The following brochures are available from your local Department of Revenue (DOR) service center, the DOR Distribution Center, or Taxpayer Services:

- *Florida's Sales and Use Tax*
- *Discretionary Sales Surtax*
- *Tangible Personal Property Rentals*
- *Annual Resale Certificate*

For Information and Forms

Information and forms are available on our Internet site at **www.myflorida.com/dor**

To receive forms by mail:

- Order multiple copies of forms from our Internet site at http://www.myflorida.com/dor/forms/ *or*
- Fax your form request to the DOR Distribution Center at 850-922-2208 *or*
- Call the DOR Distribution Center at 850-488-8422 *or*
- Mail your form request to:
  DISTRIBUTION CENTER
  FLORIDA DEPARTMENT OF REVENUE
  168A BLOUNTSTOWN HWY
  TALLAHASSEE FL 32304-3702