

Bakshi, Vivek (TAX)

From: Barrett, Terry [TBarrett@keitercpa.com]
Sent: Thursday, June 01, 2017 11:02 AM
To: TAX-Guidelines (TAX)
Subject: EXT:Repair shop supplies guidance document - comments

Mr. Bakshi,

I have reviewed the proposed guidance document on the repair shop supplies legislation and have the following comments:

Shops that Repair Highway and Off-road Vehicles: The guidance document states that the new tax treatment of shop supplies applies to shops that service both highway and off-road vehicles. A strict interpretation of the legislation, however, would limit the tax treatment to automotive repair shops. There is no mention of highway or off-road vehicles (e.g., bulldozers, etc.). If the Department is expanding the application of the law I would suggest a clarification for situations where a shop services only highway vehicles (definition suggested) or only off-road vehicles (definition suggested – would this include things like forklifts, lawnmowers and other self-propelling equipment). Would a shop that services only off-road vehicles qualify for the new tax treatment? And, again, what is an off-road vehicle?

Thank you.

Terry Barrett



Terry M. Barrett (Ms.) | Tax Senior Manager | Keiter
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COMMONWEALTH of VIRGINIA

Department of Taxation

June 27, 2017

Ms. Terry M. Barrett
Keiter
4401 Dominion Boulevard
Glen Allen, Virginia 23060

Dear Ms. Barrett:

I want to thank you for your email dated June 1, 2017 providing comments on the draft Automobile Repair Shop Supplies Tax Treatment Guidelines.

In general, your comment concerns the applicability of the Guidelines to shops that service off-road vehicles. The law change specifically applies to automotive repair shops. However, the draft Guidelines specify that the law change applies to shops that service both highway and off-road vehicles. The Department is extending the policy change to shops that service both highway and off-road vehicles to avoid any confusion within the repair industry that may result from a narrower construction of the term "automotive repairer."

Your comment specifically contemplates whether shops that service only non-highway vehicles will be subject to the new law. So long as the shop in question services vehicles that can reasonably be considered "automobiles," the Department will extend the change in policy to those shops.

Again, thank you for taking the time to offer comments on the Guidelines. If you have any questions, please contact Joseph Mayer at (804) 371- 2299.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig M. Burns".

Craig M. Burns
Tax Commissioner

Bakshi, Vivek (TAX)

From: Bakshi, Vivek (TAX)
Sent: Wednesday, June 21, 2017 12:09 PM
To: 'Steve Akridge'
Cc: Haskins, Mark (TAX); Mayer, Joseph (TAX)
Subject: RE: EXT:RE: EXT:RE: Taxation of Shop Supplies

Steve,

I'm sorry but I can't clarify your remaining question as it pertains to the Guidelines because the law change does not affect the prices of shop supply charges that shops are permitted to charge, only the form of and tax treatment of those charges.

Thanks.
Vivek

From: Steve Akridge [mailto:sakridge@vaauto.org]
Sent: Wednesday, June 21, 2017 10:48 AM
To: Bakshi, Vivek (TAX)
Subject: EXT:RE: EXT:RE: Taxation of Shop Supplies

Vivek,

Thank you for the explanation, and this is what we were hoping for. To have to itemize out on the customer's invoice every single item that is considered a shop supply would be very difficult. Having the one line item, shop supplies, keeps it simple for everyone involved.

I guess the only remaining question we have is the pricing. You mention that is outside the scope of this policy guideline. We are considering that to mean shops can charge what they want for this line item? That is what they are doing today, and I think most are charging similar amounts- normally a percentage of the service that was provided.

If you could clarify this last question, I think we will have everything answered.

Thanks, Steve

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From: Bakshi, Vivek (TAX) [mailto:Vivek.Bakshi@tax.virginia.gov]
Sent: Tuesday, June 20, 2017 9:45 AM
To: Steve Akridge

Cc: Haskins, Mark (TAX); Mayer, Joseph (TAX)
Subject: RE: EXT:RE: Taxation of Shop Supplies

Steve,

Sorry if the answer to number 2 wasn't clear. The shop supply charge itself needs to be separately stated, not the charge for each individual item that you are counting as a shop supply. So, for example, if you use a can of brake cleaner (\$2) and a tube of grease (\$4), you would separately state 1 charge for \$6 as the shop supply charge and collect tax on the \$6. If you want to separately list each item under a shop supplies subcategory on the bill you are welcome to do that but you do not have to.

I hope that clarifies the issue.

Thanks.
Vivek

From: Steve Akridge [<mailto:sakridge@vaauto.org>]
Sent: Monday, June 19, 2017 9:10 PM
To: Bakshi, Vivek (TAX)
Subject: EXT:RE: Taxation of Shop Supplies

Vivek,
Thanks for getting back and answering my questions.

I am not certain of the answer on question 2. We are under the impression that if any item that is considered a shop supply is used in the repair, then the shop would add in the line item shop supplies to the invoice, which would include any items that qualify. If I am reading your answer correctly, you are stating each individual item would have to be listed on the invoice (separately stated) and each would be taxable to the consumer?
Please let me know your thoughts on this.
Thanks, Steve

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From: Bakshi, Vivek (TAX) [<mailto:Vivek.Bakshi@tax.virginia.gov>]
Sent: Monday, June 19, 2017 5:01 PM
To: Steve Akridge
Cc: Haskins, Mark (TAX); Mayer, Joseph (TAX)
Subject: RE: Taxation of Shop Supplies

Hi Steve,

Thanks for taking the time to supply comments about the Guidelines. My answers are below in red:

1. Each of these items are purchased by the shop tax exempt?
 - a. That is correct. So long as the charge is separately stated, charged to the customer, and directly consumed during the repair, as discussed in the Guidelines.
2. Then, when any of these items are used by the shop to complete a repair or sale of automotive related charges, the shop would list a separate line item on the customer invoice called "shop supplies". This line item would be taxable to the customer?
 - a. The items would have to be directly consumed during the repair, as discussed in the Guidelines, and then also separately stated and charged to the customer. The repair shop would need to collect sales tax from the customer on the separately stated amount.
3. What the shop charges is usually a percentage of the sale amount. Can this charge for shop supplies be whatever the shop determines?
 - a. Unfortunately, that is outside the scope of the Guidelines.
4. Any items not on this list would not be considered shop supplies, but items used in the normal course of doing business, and thus taxable to the shop at purchase? (as you have stated in Example 2).
 - a. The enumerated items do not constitute an exhaustive list but rather the list is provided as a safe harbor and helpful guide for repair shops to use when determining whether a non-enumerated item can reasonably be considered a shop supply. Generally speaking, you are correct that any items that are not enumerated or cannot reasonably be considered a shop supply item would be taxable to the repair shop when purchased.
5. When will you send out the final Tax Bulletin to us and to shops?
 - a. The timeline for publishing the Guidelines has not been finalized but it will hopefully be later this week.

I hope this answers your questions. Our normal protocol is to post the comments and our responses on the Guidelines section of our website, as you may have seen. If you don't have an objection we will post these later this week. Let me know if that is a problem.

Thanks.
Vivek

From: Steve Akridge [<mailto:sakridge@vaauto.org>]
Sent: Monday, June 19, 2017 12:33 PM
To: Bakshi, Vivek (TAX)
Subject: EXT:RE: Taxation of Shop Supplies

Vivek,
Thanks for getting back, and sorry to have missed your call.

On the Draft tax bulletin, there is the section on Page 3, "Items That Constitute Shop Supplies". This appears to be a complete list of items that would be defined as shop supplies.

I have a few questions that I need to verify:

6. Each of these items are purchased by the shop tax exempt?
7. Then, when any of these items are used by the shop to complete a repair or sale of automotive related charges, the shop would list a separate line item on the customer invoice called "shop supplies". This line item would be taxable to the customer?
8. What the shop charges is usually a percentage of the sale amount. Can this charge for shop supplies be whatever the shop determines?

9. Any items not on this list would not be considered shop supplies, but items used in the normal course of doing business, and thus taxable to the shop at purchase? (as you have stated in Example 2).
10. When will you send out the final Tax Bulletin to us and to shops?

Vivek, I appreciate your comments to clarify my questions. Please give my regards to Joe.
Steve

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From: Bakshi, Vivek (TAX) [<mailto:Vivek.Bakshi@tax.virginia.gov>]
Sent: Thursday, April 13, 2017 1:55 PM
To: sakridge@vaauto.org
Cc: Mayer, Joseph (TAX); Haskins, Mark (TAX)
Subject: Taxation of Shop Supplies

Hi Steve,

Thanks for your time on the phone Tuesday, we always appreciate your input. I spoke with Joe and while we welcome VAA's input as to what may constitute shop supplies, we aren't in a position to have any meetings with interested parties before a draft is completed for circulation to all interested parties.

With that said, if you could email us a list of items that you believe would constitute shop supplies that would be helpful as we work towards developing the draft guidance.

Let me know if you have any further concerns or comments.

Regards,

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