

IRA A. JACKSON
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Leverett Saltonstall Building
100 Cambridge Street, Boston 02204

January 22, 1985

You request a ruling regarding the application of the sales tax to the charges in the repair of an automobile when both parts and labor are included in the cost of the repair.

Massachusetts General Laws Chapter 64H, Section 2 imposes an excise on sales at retail of tangible personal property in Massachusetts. Section 1(13)(c) of Chapter 64H excludes from the definition of sale at retail "personal service transactions which involve no sale or which involve sales as inconsequential elements for which no separate charges are made."

Sales and Use Tax Regulation 64H.03 explains the application of the sales and use tax to service enterprises. Subsection (2) provides that a service transaction is not subject to the sales tax where an inconsequential transfer of tangible personal property occurs and the service enterprise does not separately state the purchase price of the property on the customer's bill. However, where the value of the property is not inconsequential compared to the total charge and is not separately stated, the entire amount of the property and labor charged is subject to the sales tax. As a general guideline, "inconsequential" means a value of less than ten percent of the total charge. This may vary depending on the facts and circumstances of the transaction.

When the service enterprise does separately state the charge for the property on the bill, regardless of the property's value, only that amount charged for the property is subject to the sales tax.

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Regulation 64H.03 specifically includes a repairer of automobiles as a service enterprise. Therefore:

1. When the repairer separately states the amount charged for parts and labor, only that amount charged for parts, whether or not inconsequential, is subject to the sales tax.

2. When the repairer does not separately state amounts charged for parts and labor, the entire value of the charge is subject to the sales tax, but only if the parts comprise a consequential (ten percent or greater) amount of the total charge.

3. When the value of the parts is inconsequential and not separately stated, the transaction is exempt from the sales tax.

Very truly yours,


Commissioner of Revenue

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