

Auto repairs involve the sale of tangible personal property and are therefore subject to Colorado sales and use taxes. However, special rules apply to the taxation of auto repairs in Colorado.

This publication is designed to provide general guidance regarding the sales and use tax on auto repairs and to supplement guidance provided in the [Colorado Sales Tax Guide](#). Nothing in this publication modifies or is intended to modify the requirements of Colorado's statutes and regulations. Taxpayers are encouraged to consult their tax advisors for guidance regarding specific situations.

The information in this publication applies to state and local sales and use taxes administered by the Department. The information in this publication does not apply to the sales or use taxes of any home-rule cities that the Department does not administer. Please contact any applicable home-rule city directly for information about their sales and use taxes.

Sales by repair shops

Parts and accessories installed in automotive vehicles are considered tangible personal property and are subject to sales and use tax. The taxable amount is the total charge made to the customer for the parts and accessories, minus any separately stated service or labor charges.

Subcontracts

If the repair of an automobile is subcontracted to another repairperson by the customer's repairperson, the sub-repairperson will charge sales tax to the customer's repairperson on the retail price of the parts used in the repair job unless specifically instructed that the job is for resale. If instructed that the job is for resale, then the tax will be billed to the customer by the customer's repairperson. In either case, an itemized bill from the sub-repairperson must be available to the customer showing that tax was charged by either the sub-repairperson or the customer's repairperson.

Example

A customer brings their gravel-damaged vehicle to ABC Body Shop for windshield replacement and dent repair. Although ABC Body Shop does their own dent repair work, it subcontracts all glass and windshield replacement to DEF Auto Glass as a resale transaction. When DEF Auto Glass completes the windshield replacement, it invoices ABC Body Shop \$200 for the sub-repair. No sales tax is charged on this resale transaction.

ABC Body Shop's invoice to the customer for the repair work includes a labor charge of \$175 for the dent removal and a sub-repair charge of \$200 for the windshield replacement for a total of \$375. ABC Body Shop is required to collect sales tax on the \$200 charged for the windshield repair. The labor charge for the dent removal is not subject to sales tax.

Purchases by repair shops

Auto repair shops, such as automobile dealers, garages, and repairpersons, may purchase tangible personal property for resale to customers. This purchase is a wholesale sale and is exempt from sales and use tax. The sale of tangible personal property to the customer is a retail sale and is subject to sales tax. If an auto repair shop makes a tax-free wholesale purchase of an item for resale but subsequently withdraws that item from inventory for their own use, they will owe use tax on that item.

No exemption applies to purchases for the auto repair shop's own use or consumption that are not for resale, including, but not limited to purchases of:

- Service vehicles;
- Machinery;
- Equipment;
- Supplies; and
- Tools.

Supplies consumed in the performance of a job, such as sandpaper and masking tape for painting cars, are taxable to the repairperson.

Sales tax license

Any retailer that is required to collect sales tax must apply for and obtain a sales tax license prior to making any sales. Licenses are non-transferable. Anyone who starts a new retail business or purchases an existing retail business must apply for and obtain a new sales tax license.

For more information about obtaining a license, please see the [Colorado Sales Tax Guide](#).

Filing and remitting requirements

Filing returns

Retailers must file sales tax returns reporting all sales made, whether taxable or exempt, at regular intervals in accordance with prescribed filing schedules. If the retailer maintains a physical location in the state from which the sales are made, but makes no retail sales during the tax period, the retailer must still file a return to report that no sales were made and no tax is due. The retailer's return must properly account not only for all state sales tax, but also for all sales tax collected and due for each applicable state-administered local jurisdiction.

A retailer's filing frequency is determined initially when the retailer's license is issued but may be subsequently adjusted by the Department or at the retailer's request. In general, retailers must file monthly sales tax returns reporting and remitting all tax due.

For more information about filing a return, please see the [Colorado Sales Tax Guide](#).

Remitting tax

Retailers are liable and responsible for state sales tax equal to 2.9% of their total taxable sales, regardless of whether the retailer actually collected such tax, as well as any tax collected in excess of this amount. Retailers are required to remit, with the filing of each return, all tax reported on such return, minus any service fee allowed to the retailer. Any tax a retailer fails to pay by the applicable due date is subject to penalties and interest. A retailer will owe a penalty if they neglect or refuse to do any of the following:

- File a return by the due date;
- Pay the tax due by the due date; or
- Correctly account, within their return, for all state and state administered local sales tax due.

Interest accrues on any late payment of tax from the original due date of the tax to the date the tax is paid.

For more information about remitting the tax, please see the [Colorado Sales Tax Guide](#).

Additional resources

The following is a list of statutes, regulations, forms, and guidance pertaining to the sales and use taxes on items used in auto repairs. This list is not, and is not intended to be, an exhaustive list of authorities that govern the tax treatment of every situation. Individuals and businesses with specific questions should consult their tax advisors.

Statutes and regulations

- § 39-26-103, C.R.S. Licenses.
- § 39-26-105, C.R.S. Vendor liable for tax.
- § 39-26-106, C.R.S. Schedule of sales tax.
- § 39-26-109, C.R.S. Reports of vendors.
- § 39-26-112, C.R.S. Excise tax.
- § 39-26-118, C.R.S. Recovery of taxes, penalties, and interest.
- § 39-21-109, C.R.S. Interest on underpayment, nonpayment, or extensions of time for payment of tax.
- § 39-21-110.5, C.R.S. Rate of interest to be fixed.
- Special Rule 4. Automotive Repairs.
- Rule 39-26-103. Sales Tax Licensing.
- Rule 39-26-105-1. Remittance of Sales Tax.
- Rule 39-26-109. Sales Tax Filing Schedules.

Forms and guidance

- [Tax.Colorado.gov](https://tax.colorado.gov)
- [Colorado Sales Tax Guide](#)