



MEYERS, HARRISON & PIA, LLC
Certified Public Accountants and Consultants

One Audubon Street, 3rd Floor • New Haven, CT 06511-6431 • Tel (203) 789-1040 • Fax (203) 789-4455

March 18, 2015

Mr. Anthony Ferraiolo
Auto Body Association of Connecticut
104 Cheshire Road
Prospect, CT 06712

As CPAs in the State of Connecticut who are familiar with reading and interpreting laws and regulations, we have been asked for our interpretation of the laws regarding sales tax on paint for the auto repair business.

The written laws under CGS §12-407(2)(i)(M)-1 are outdated as to how the auto repair business conducts its business. Even still, with that being said the statutes state under §12-407(2)(i)(M)-1 the following:

§12-407(2)(i)(M)-1(c)(3) Since providers of motor vehicle repair services are considered to be consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to a motor vehicle repair services provider that uses such property in repairing, restoring, rebuilding, replacing parts of or maintaining motor vehicles are retail sales to such provider and are subject to tax.

§12-407(2)(i)(M)-1(a)(1)(A)-(B) An "integral part" means a part, such as an air or oil filter, alternator, battery, belt, hose, muffler, spark plug, tire or windshield wiper blade, that retains its separate identity even after being incorporated into a repaired motor vehicle.

The term "integral part" does not include materials that do not retain their separate identity after being used to repair a motor vehicle, but are consumed by the service provider in repairing the motor vehicle, such as abrasives (e.g., sandpaper, emery paper and grinding wheels), acetylene, acrylic finishes, applicators, body putty, body work tools, brushes, cleaners, compound pads, drop cloths, enamels, flux, hand cleansers, lacquers, lead, masking tape, masking paper, mechanics' tools, metal conditioners, oxygen, paint, painting tools, plastic filler, polishing and buffing pads, primers, removers (liquid and paste), resins (e.g., epoxy, polyester, fiberglass cloth and fiberglass matting), rollers, rubbing compound, rust proofing liquid, sealants, shellacs, solder, spray guns, stain, stencils, strainers, thinners and solvents, undercoating, varnish, waxes, welding rods and disposable or reusable wipes.



Mr. Anthony Ferraiolo
Auto Body Association of Connecticut
Page Two
March 18, 2015

§12-407(2)(i)(M)-1(c)(2) Providers of motor vehicle repair services may purchase certain materials on resale where such property is purchased solely for a particular customer, as long as the charge for such materials will be separately stated on the bill to the customer and tax collected thereon. Examples of such materials include acrylic finishes, enamels, lacquers and paint.

The obstacle in this statute is that the auto repair business has changed the way it services its customers when it comes to painting autos. Prior to law being written, paint was purchased specific to a car and so the language above represents that. Today, toner is purchased and mixed to exact specifications to a specific color for an auto and applied.

By reading the statute, it stands clear to us that an integral part does not consist of consumables, as the list clearly identifies several items that are consumables in the ordinary course of business for an auto repair shop. We feel, the reason the statute states that paint purchased specific for a particular customer may be purchased for resale and not for consumption, i.e. paying sales tax when purchased by the repair shop, is because this level of paint is not considered a consumable once it is specific to a customer's needs. We imagine the intent of this law was to charge sales tax to the repair shop when paint is considered a consumable, keeping in line with the list of items presented as "not an integral part." In the current day, paint is not purchased as a unit, as it was when the law was first written, it is now purchased as toner and mixed. When paint is mixed for a specific customer and applied to the body of the auto it is not a consumable when the repair shop is charging the customer separately for that item on the invoice, which at times can be a large dollar amount. Keeping in line with what appears to be the intent of the statute, it reasons to be that this paint mixture should fall within the meaning of paint being purchased specific to a car and therefore be purchased on resale.

We believe the original intent of the statute was to differentiate between consumable paint used by the auto repair shop versus paint used to finish an auto specifically for a customer. By meeting the other aspects of the statute, i.e. separately stating the charge for customers, etc. we believe the auto repair business should be allowed to include its paint mixtures under this law and the law should be rewritten to conform with current approaches to repairs without losing the intent of the law.



Mr. Anthony Ferraiolo
Auto Body Association of Connecticut
Page Three
March 18, 2015

Under current law, paint toner system materials are taxed to the auto repair shop when purchased. When the material is mixed at the shop and used for a particular customers car it is once again taxed by the shop to the consumer. By way of example; when the shop purchases \$ 100.00 of toner mixtures, the shop is charged with sales tax of 6.35% for a total of \$ 106.35. If the shop uses that same quantity on a customers' car they must collect sales tax. The bill to the consumer would state "paint" and the charge would be \$ 106.35 and tax would be collected on \$ 106.35 for a total of \$ 113.10. It appears the Department of Revenue Services would be collecting tax twice on the same item. The purchase of the product should be for resale by the auto repair shop so that the final consumer pays a tax just one time. We believe this is what was originally intended by the law but the method by which this particular item is purchased and applied has changed over time and the law needs to address these current circumstances.

Very Truly Yours,

Thomas Valentino, CPA

Jeffrey Cheney, CPA