

Rule 311.2 – Receipt of Services Performed On Tangible Personal Property

A. 1. A service performed on tangible personal property is a service that changes some aspect of the property, such as its appearance or function. Services with respect to tangible personal property, such as inspection and appraisal, are not addressed in this rule.

2. Examples of services performed on tangible personal property include, but are not limited to:

- a. Repair, calibration or maintenance of tangible personal property;
- b. Painting or refinishing tangible personal property, including motor vehicle painting or detailing;
- c. Washing or cleaning tangible personal property, including laundry or dry cleaning services, and motor vehicle washing services;
- d. Some veterinary services and animal grooming services.

B. Except as otherwise provided in the Streamlined Sales and Use Tax Agreement or the rules adopted by the Governing Board, a service performed on tangible personal property is received, within the meaning of section 311.B of the Agreement, at the location where the customer potentially can make first use of the tangible personal property on which the seller performed the service. In general, this is the location where the tangible personal property is returned to the purchaser (or the purchaser's donee).

C. The following examples illustrate the proper determination of the location of "receipt" for services performed on tangible personal property.

1. Repair or maintenance of tangible personal property

a. A resident of State A takes a lawnmower to a repair shop in State B to have the engine serviced and the blade sharpened. When the lawnmower is ready, the owner picks it up at the repair shop. The repair service is received at the repair shop location in State B since the owner first has possession of the repaired item at that location. The repair transaction is sourced to State B under the provisions of Section 310.A.1 of the Agreement.

b. Same facts as in Example C.1.a above except that the repair shop delivers the repaired lawnmower to the owner's residence in State A. In this case, the owner receives the service at that residence in State A since that is the location where the lawnmower is returned to the owner of the lawnmower. This repair transaction is sourced to the

owner's residence in State A according to the provisions of Section 310.A.2 of the Agreement.

c. A homeowner in County Z contacts an appliance repair service provider located in County Y to have a clothes dryer repaired. The repair service provider dispatches a technician to the owner's home to make the needed repairs. The owner receives the repair service in County Z since the repaired dryer remains at that location. This transaction is sourced to County Z under the provisions of Section 310.A.2 of the Agreement.

d. A manufacturer in State A uses gauges in its production process to assure its product meets specifications. Periodically, the manufacturer ships the gauges to a laboratory in State B to verify that they are producing proper measurements. The laboratory tests the gauges and adjusts the calibration on the gauges. The laboratory ships the gauges back to the manufacturer's location in State A. Therefore, the transaction is sourced to the location of the manufacturer in State A according to the provisions of Section 310.A.2 of the Agreement. If, on the other hand, the manufacturer picks up the calibrated gauges from the testing laboratory in State B, the transaction is sourced to its business location in State B according to the provisions of Section 310.A.1.

e. Same facts as in Example C.1.d. above, except that the manufacturer hires a shipping company, such as a common or contract carrier, to pick up the tested and recalibrated gauges and deliver them to the manufacturer's location in State A. Since Section 311.B of the Agreement provides that the terms "receive" and "receipt" do not include possession by a shipping company on behalf of the purchaser, the transaction is sourced to the manufacturer's location in State A according to the provisions of Section 310.A.2 of the Agreement.

2. Painting or refinishing tangible personal property.

a. A law office in County Y has some antique bookcases it wishes to have refinished. The bookcases are picked up by a refinisher and taken to the refinisher's shop in County Z. The refinished bookcases are then delivered by the refinisher to the law office. The transaction is sourced to the location of the law office in County Y according to the provisions of Section 310.A.2 of the Agreement. If, instead, the law office sends one of its employees to the refinisher to pick up the refinished bookcases, the transaction is sourced to the refinisher's location in County Z according to the provisions of Section 310.A.1 of the Agreement.

b. A business hires a painter to paint several file cabinets. The painter does the painting on site at the purchaser's office location. Because the file cabinets remain at the same

location, the transaction is sourced to the purchaser's office location according to the provisions of Section 310.A.2 of the Agreement.

3. Cleaning tangible personal property.

a. An individual takes laundry to a dry cleaner's store. After the clothing is cleaned, the purchaser returns to the dry cleaner to pick up the clothing. The dry cleaner returns the clothes to the purchaser at the dry cleaner's store. The transaction is sourced to the location of the store according to the provisions of Section 310.A.1 of the Agreement.

b. An automobile is delivered to a car wash. The car wash operator cleans the automobile while the owner waits at the facility. When the automobile is cleaned, it is returned to the owner. The purchaser makes first use of the car washing service at the car wash location since that is where the cleaned automobile is returned. The transaction is sourced to the location of the car wash according to the provisions of Section 310.A.1 of the Agreement.

4. Certain veterinary services and animal grooming services.

a. Drug company in State A is conducting a clinical trial of a livestock vaccine. The drug company hires a veterinarian in State B to inoculate cattle owned by a rancher in State C. The veterinarian goes to State C and inoculates the rancher's cattle with the drug company's vaccine. The veterinary services are received at the ranch in State C. The sale of the veterinary services is sourced to State C according to Section 310.A.2 of the Agreement.

b. A pet owner in County Y takes a pet to a veterinarian in County Z for treatment. The treatment is performed at the veterinarian's office in County Z. The owner receives the treated pet at the veterinarian's office. The transaction is sourced to County Z according to the provisions of Section 310.A.1 of the Agreement.

c. Same facts as in example C.4.b above except that the veterinarian has an employee deliver the treated pet to the owner's home. In this case, the owner receives the treated pet at the pet owner's home in County Y. The transaction is sourced to County Y according to the provisions of Section 310.A.2 of the Agreement.

d. A pet owner hires a mobile pet washing service to come to County Y and bathe a dog. The dog never leaves the owner's home. The pet washing service transaction is sourced to the pet owner's home in County Y according to the provisions of Section 310.A.2 of the Agreement.