

Rule 311.2 – Receipt of Services To Tangible Personal Property

A. 1. A transaction where a service provider is performing a service on tangible personal property belonging to the purchaser of the service is a “service to tangible personal property.” In the case of a service to tangible personal property, some activity is performed on the property to change some aspect of the property, such as its appearance or function and the serviced property is then returned to the purchaser of the service.

2. Examples of services to 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. Animal care, including 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 to tangible personal property is received, within the meaning of section 311.B of the Agreement, at the location where the customer can make first use of the tangible personal property on which the seller performed the service. For practical purposes, this should be the same location where, if the transaction was a sale of the tangible personal property involved, the purchaser received the property.

C. The following examples illustrate the proper determination of the location of “receipt” for services to tangible personal property.

1. Repair or maintenance of tangible personal property

a. A resident of State A takes his 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 there and at that point can make use of the lawnmower. The shop owner should source the repair transaction 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 his residence in State A since that is the location where the lawnmower is delivered and where he can first make use of the lawnmower. The repair shop owner

should source this repair transaction to the owner's residence in State A according to the provisions of Section 310.A.2 of the Agreement.

c. A resident of County Z needs her clothes dryer repaired. She contacts an appliance repair service provider located in County Y. The repair service provider sends a technician to her home to make the needed repairs. The owner receives the repair service at her home in County Z since the repaired dryer is first available for use at that location. The repair service company would source this transaction 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, if necessary, adjusts the calibration on the gauges. The gauges are then shipped back to the manufacturer's location in State A. The manufacturer makes first use of the testing service at the location where it receives and can first make use of the tested and recalibrated gauges. The laboratory should source the transaction 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 laboratory should source the transaction 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 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 laboratory should source the transaction 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 refinishing service is received by the law office where it has first use of the refinished bookcases. The refinisher should source the transaction 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 refinisher would source the sale to its business 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. The purchaser makes first use of the service at its office where it obtains first use of the painted file cabinets. The painter should source

the transaction 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 purchaser makes first use of the dry cleaning service at the dry cleaner's store where the purchaser receives the cleaned clothes. The dry cleaner should source the transaction 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 when he receives the cleaned automobile at the car wash. The car wash operator should source the transaction to the location of the car wash according to the provisions of Section 310.A.1 of the Agreement.

4. Animal care services.

a. A farmer in State A hires a veterinarian located in State B to inoculate the farmer's cattle. The veterinarian performs the inoculations at the farm in State A. The farmer makes first use of the service at the location where the cattle are inoculated in State A. The veterinarian should source the transaction to the farmer's location in State A according to the provisions of Section 310.A.2 of the Agreement.

b. A pet owner in County Y takes his 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 veterinarian should source the sale 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 at the owner's home. In this case, the owner receives the treated pet at his home in County Y. The veterinarian should source the transaction 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 his home in County Y and bathe his dog. After being bathed and groomed the dog is returned to the owner at his home. The service is received where the bathed and groomed dog is returned to the owner. The pet washing service should source the transaction to the pet owner's home in County Y according to the provisions of Section 310.A.2 of the Agreement.