

Rule 311.X – Receipt of Services With Respect to Tangible Personal Property

A. 1. A service requiring that the provider examine, or evaluate tangible personal property for the purpose of ascertaining its quality, value or operation is a “service with respect to tangible personal property.” A service that results in a change to some aspect of the property, such as its appearance or function, is not a “service with respect to tangible personal property”; such a service is a “service performed on tangible personal property” subject to Rule 311.2.

2. Examples of services with respect to tangible personal property include:

- a. Testing or inspection of tangible personal property, and
- b. Appraisal of tangible personal property.

3. The examination, or evaluation, of real property is not a “service with respect to tangible personal property” within the meaning of this rule.

B. 1. Except as otherwise provided in the Streamlined Sales and Use Tax Agreement or the rules adopted by the Governing Board, a purchaser “receives” a service with respect to tangible personal property within the meaning of section 311.B of the Agreement at the location where the result of the service is received. If, at the time of the invoice, the seller has no information as to where the service will be received, the sale is sourced, depending on the facts, under Sections 310.A.3, 310.A.4 or 310.A.5 of the Agreement.

2. To the extent the primary result of a service with respect to tangible personal property is the preparation and delivery of a report, the service is received at the location where the purchaser receives and can make first use of the information contained in the report. The service should be sourced to that location if the location is known to the seller at the time of invoicing. Receipt may occur at multiple locations if the seller is required to deliver the report to the purchaser or the purchaser’s donee at multiple locations. The transaction is sourced to those locations if the seller receives delivery information from the purchaser by the time of the invoice.

3. As used in this rule, “report” means an account or statement, however provided, communicating the evaluation or opinion of the service provider as to the quality, value, or operation of tangible personal property to the purchaser or the purchaser’s donee.

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

1. Testing or inspection of tangible personal property.

a. A manufacturer periodically sends samples of the product produced at its plant in State A to a laboratory for testing. The testing process destroys the sample in order to

determine certain properties of the product. The laboratory sends a report on the results of the testing to the manufacturer's office in State B and disposes of any remains of the product. The manufacturer receives the testing service at its office where it receives the laboratory report and can make first use of the results of the testing service. The transaction is sourced to the location of the manufacturer's office in State B according to the provisions of Section 310.A.2 of the Agreement.

b. A food product manufacturer located in State A hires a testing lab located in State B to test the grain the manufacturer uses in making its product. An employee of the testing services goes to the manufacturer's location, gathers grain samples and takes them back to the lab for analysis. A report is then written and mailed to the manufacturer's business address in State A. The manufacturer receives the service where it receives the report. The transaction is sourced to the manufacturer's location in State A where the report was mailed, according to the provisions of Section 310.A.2 of the Agreement.

c. Same facts as in example C.1.b. above except the report is emailed to the customer. In this case, the manufacturer receives the emailed report at its headquarters location in State B. If the seller knows the location where the emailed report is received, the sale should be sourced to that location pursuant to Section 310.A.2 of the Agreement. If the seller does not know the location where the emailed report is received, the transaction should be sourced according to the applicable provisions of section 310A.3, 310.A.4, or 310.A.5 of the Agreement.

2. Appraisal of tangible personal property.

a. A resident in County Y takes several items of jewelry to an appraiser in County Z. When the appraisal is completed, the purchaser picks up the jewelry and the appraisal report at the appraiser's office. The purchaser makes first use of the service at the appraiser's office where the appraisal report is received by the purchaser and the purchaser can make first use of the service. The transaction is sourced to County Z according to the provisions of Section 310.A.1 of the Agreement.

b. An appraiser performs an appraisal of antique furniture owned by the purchaser at a storage facility in County Y. The appraiser returns to his office and completes the appraisal report. The appraiser subsequently mails the appraisal report according to instructions received from the purchaser to an address in County Z. The purchaser receives the service at the address in County Z where the appraisal report is delivered to the purchaser and the purchaser can make first use of the appraisal service. The transaction is sourced to County Z according to the provisions of Section 310.A.2 of the Agreement.