



AASP-MN WRAPS UP SUCCESSFUL LEGISLATIVE SESSION

On May 23, Minnesota Governor Mark Dayton signed the 2013 Tax Bill which included legislation advanced by the Alliance of Automotive Service Providers, Minnesota (AASP-MN). The legislation changes the point of imposition of sales tax on auto repair paint and materials from the wholesale to the retail level. It will become effective on July 1, 2013.

Minnesota repair shops have historically paid the sales tax when they purchase paint and materials at the wholesale level and have been unable to recoup that expense on the final invoice. Due to the industry-wide practice of using a “dollars-times-hours” formula to calculate the retail charge for these items, the Minnesota Department of Revenue had ruled that the sales tax could not be applied to the final, retail amount – even though the overwhelming majority of the value of automotive repair paint and materials left the shop on the repaired vehicle. This change will allow collision shops to purchase paint/materials exempt from sales tax and then collect the sales tax at retail, based on the dollars-times-hours formula that is standard in the collision repair industry.

This is the fourth year that AASP-MN has proposed legislation to allow sales tax to be collected on the retail charges for paint and materials, as calculated by formula. Despite there being no testimony in opposition to the proposal, it did not advance beyond the Committee process in prior years because the change resulted in a net revenue gain for the State. The Governor and some legislators did not allow any revenue-raising measures to be included in Omnibus Tax Bills in the past 3 years. Thus, Minnesota remained among just a handful of states that do not charge sales tax on the retail price of paint and materials.

“Minnesota shops will no longer have to absorb the cost of sales tax on the purchase of paint and materials which are consumed during the repair process or transferred to the vehicle. The tax will now, rightfully, be borne by the end user who receives the benefit of these products,” states Judell Anderson, AASP-MN Executive Director. “This is a win for all shops in Minnesota and a prime example of how the work of the Association positively impacts the livelihood of not only its members, but the entire repair industry throughout the State,” she added.

The sales tax bill was one of two proposals advanced by AASP-MN during the 2013 Legislative Session. The other bill changes the definition of a “high-value vehicle” for salvage title purposes from \$5,000 to \$9,000. It had been 20 years since that threshold was adjusted. That bill also passed in the Transportation and Public Safety Finance Bill and will become effective on August 1, 2013.

Alliance of Automotive Service Providers of Minnesota is an association of independently-owned automotive service businesses and industry suppliers dedicated to improving the state’s automotive service industry and the success of its members.