

TIP 01A01-09

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Repair of Vehicles Owned by Car Rental Companies

It has come to the attention of the Department of Revenue that some motor vehicle insurance companies are incorrectly including amounts identified as sales tax on repair claims for vehicles owned by car rental companies. Following is the common situation:

ABC, a car rental company, leases a motor vehicle for one or more days to a customer. The customer either purchases insurance coverage at the time of rental or provides proof of insurance coverage. When the customer is involved in an accident, the car rental company notifies the vehicle insurer of the accident. Upon notification, XYZ, the insurance company, surveys the damaged vehicle and submits an estimate for the repair, which includes sales tax, to ABC. Once the two parties reach an agreement on an estimate, XYZ sends ABC a check for the amount of the estimate, including sales tax. ABC then contracts with a repair shop to make the necessary repairs. When the repairs are complete, ABC issues its annual resale certificate to the repair shop and pays no sales tax on the repair. No sales tax is remitted to the State of Florida by either the car repair facility or the car rental company, nor does the car rental company issue a refund to the insurer.

Under Florida law, motor vehicle repairs paid for by an insurance company in settlement of claims arising under the owner's policy are subject to Florida sales tax, unless otherwise exempt. Based on this provision, many insurance companies include sales tax in their estimates and claim payments.

However, pursuant to Rule 12A-1.007(14)(f)1., Florida Administrative Code, "[p]arts and materials used to maintain, repair, rebuild, and recondition... **motor vehicles**, which are used exclusively for rental purposes", are exempt from sales tax. The car rental company should present its annual resale certificate to the car repair facility in order to take advantage of the exemption. Thus, in situations similar to the above scenario, the amount that the car repair facility charges to the car rental company for the repair of the vehicle is exempt from sales tax.

Estimates and payments for repairs of vehicles owned by car rental companies and used exclusively for rental purposes, therefore, should **not** include amounts identified as sales tax.

References: Rules 12A-1.007(13)(e), and 12A-1.007(14)(f)1., Florida Administrative Code

FOR MORE INFORMATION

This document is intended to alert you to the requirements contained in Florida laws and administrative rules. It does not by its own effect create rights or require compliance.

For forms and other information, visit our Internet site at www.myflorida.com/dor. Or call Tax Information Services, Monday through Friday, 8:00 a.m., to 7:00 p.m., ET, at 800-352-3671 (for Florida residents only), or 850-488-6800.

Hearing- or speech-impaired persons should call our TDD at 800-367-8331 or 850-922-1115.

For a detailed written response to your questions, write the Florida Department of Revenue, Tax Information Services, 1379 Blountstown Highway, Tallahassee, FL 32304-2716.

To receive a fax copy of a form, call 850-922-3676 from your fax machine telephone.