ALABAMA DEPARTMENT OF REVENUE
ADMINISTRATIVE CODE

CHAPTER 810-6-1
GROSS PROCEEDS OF SALES; GROSS RECEIPTS; WHOLESALE SALES; SALES AT WHOLESALE; RETAIL SALES, SALES AT RETAIL; AUTOMOTIVE VEHICLES

810-6-1-.186.05 Warranty, Extended Or Service Contract.

(1) When a dealer sells an extended warranty or service contract to a customer, no sales tax is due.

(2) Except as noted in (3) below, sales or use tax is due on the purchase of, or withdrawal from inventory of, parts used in performing repairs or services pursuant to an extended warranty or service contract. Tax is to be computed on the cost of the parts to the dealer.

(3) Sales or use tax is not due on the purchase of, or withdrawal from inventory of, parts by dealers to be used in performing repairs or services free-of-charge for a customer under the terms of a manufacturer's extended warranty or service contract sold to the customer by the dealer. Such warranties are granted to the customer by the manufacturer, the manufacturer warrants or guarantees the replacement of defective parts at no cost to the customer, and the manufacturer provides full credit to the dealer performing the repair for the parts purchased or withdrawn. Department of Revenue v. Equipment Sales Corporation (Docket No. S. 92-286) (Sections 40-23-4(a)(18) and 40-23-62(19)) (Adopted June 12, 1978.)

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Statutory Authority: Code of Ala. 1975, §40-23-31, 40-23-83.
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