

**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-.84 Labor Or Service Charges.

(1) The term "new or different" as used in this rule shall mean new or different insofar as the ultimate purchaser is concerned. The fact that work may be performed at various stages before an item is ready for use by the ultimate purchaser does not mean that the item is not a new item.

(2) Sales or use tax applies to labor or service charges billed to customers in conjunction with sales of tangible personal property and repairs to tangible personal property as follows:

(a) Labor or service charges, whether included in the total charge for the product or billed as a separate item, are taxable if the labor or service (i) is incidental to making, producing, or fabricating a new or different item of tangible personal property or otherwise preparing the tangible personal property for sale and (ii) is performed prior to transfer of title to the purchaser. (Sections 40-23-1(a)(6), 40-23-1(a)(8), and 40-23-60(10), Code of Ala. 1975).

(b) Labor or service charges are not taxable when billed for labor or services expended in repairing or altering existing tangible personal property belonging to another in order to restore the property to its original condition or usefulness without producing new parts. When repair work includes the sale of repair parts in conjunction with repairs to existing tangible personal property belonging to another, only the sales price of the repair parts is taxable provided the charges for the repair parts and the charges for the repair labor or repair services are billed separately on the invoice to the customer. If the repairman fabricates repair parts which are used in conjunction with repairs to existing tangible personal property belonging to another, the total charge for the parts, including any labor or service charges incurred in making, producing, or fabricating the parts, is taxable even if the fabrication labor or service charges are billed to the customer as a separate item. (Sections 40-23-1(a)(6), 40-23-1(a)(8), and 40-23-60(10), Code of Ala. 1975).

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Statutory Authority: Code of Ala. 1975, §§40-2A-7(a)(5), 40-23-1(a)(6), 40-23-1(a)(8), 40-23-31, 40-23-60(10), 40-23-83.

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