

VERMONT DEPARTMENT OF TAXES

SALES TAX ON SERVICES STUDY

Act 57 of 2015, Sec. 94. SALES TAX ANALYSIS

(a) The General Assembly concludes that structural deficiencies in Vermont's current revenue and budgeting structure, combined with a change in the State economy from an economy based on goods to an economy based on services, requires an examination and rethinking of Vermont's current sales tax base.

(b) On or before January 15, 2016, the Commissioner of Taxes shall report to the Senate Committee on Finance and House Committee on Ways and Means on how the Department of Taxes would implement an extension of the Vermont's sales and use tax to select consumer services, not to include business to business services, most commonly taxed in other states. The extension of the sales and use tax modeled in the report shall provide two scenarios designed to raised both \$15 million and \$30 million in revenue in Vermont on an annual basis. The report shall include a draft of proposed rules which shall identify specific services by industry type that are taxable or not taxable.

(c) On or before January 15, 2016, the economists for the Legislative and Executive Branches, with the assistance of the Joint Fiscal Office and Department of Taxes, shall file a joint report to the Senate Committee on Finance and the House Committee on Ways and Means on the fiscal impact of further extending Vermont's sales and use tax to a broader range of consumer services. The report shall analyze the short- and long-term economic impacts to the State of Vermont of such an extension, and contrast those impacts with the short- and long-term projections of Vermont's current sales and use tax revenues without the changes in the proposal.

SALES TAX ON SERVICES STUDY

SUBMITTED TO

House Committee on Ways and Means
Senate Committee on Finance

SUBMITTED BY

Mary Peterson, Commissioner
Department of Taxes

PREPARED BY

Jake Feldman, Research Statistician
Policy, Outreach, and Legislative Affairs
Department of Taxes

Jeffrey Dooley, Lead Tax Policy Analyst
Policy, Outreach, and Legislative Affairs
Department of Taxes

Candace Morgan, Director
Policy, Outreach, and Legislative Affairs
Department of Taxes

DATE SUBMITTED

January 15, 2016

Contents

BACKGROUND	1
METHODOLOGY	2
FINDINGS	3
APPENDIX I: SERVICES NOT INCLUDED	8
APPENDIX II: REGULATIONS	10

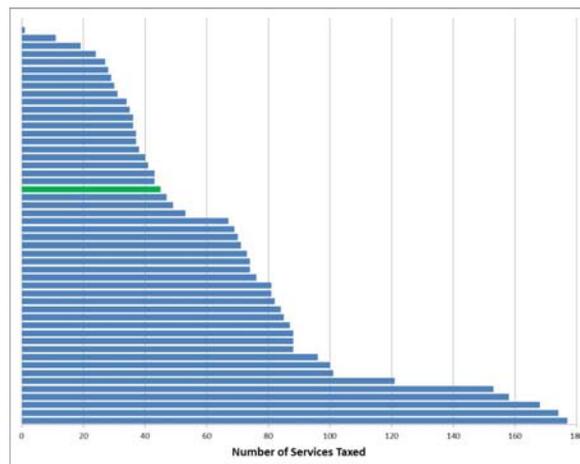
Background

The need for broad-based, state level sales taxes emerged from fiscal hardships faced by states during the great depression. Governmental tariffs on goods were widely understood but narrowly applied up to that point, so a broad based sales tax on goods was a necessary and natural evolution of that revenue source. Goods but not services were initially chosen because they constituted a larger portion of household consumption, wealthier people bought more of them, and they were easier to quantify. Also, it was widely believed at that time that taxing a service would be like taxing the jobs associated with that service, and jobs were already scarce in that era. In the decades after the depression nearly every state adopted a sales tax. In 1969 Vermont became the 45th and final one to do so. Five states: New Hampshire, Oregon, Alaska, Delaware, and Montana do not have a formal sales tax.

Discussions of applying sales tax to services sometimes make it sound like some states tax all possible services and some don't tax any, but that's not the situation. All of the states that have a sales tax apply it to at least some services. Even four of the five states that claim to not have a sales tax end up taxing a handful of services. New Hampshire, a state that proudly advertises its lack of a sales tax, makes exceptions for services such as phone and internet service, car rentals, and hotels. Vermont taxes those services too and also taxes services like ski equipment rental, admissions to cultural events, and photo finishing. Hawaii, Washington, South Dakota, and New Mexico tax virtually every service, even things like veterinary care and investment counseling (although Hawaii and New Mexico technically have a "gross receipts tax" not a sales tax). Over time different states reached different decisions on which services to tax, resulting in the uneven distribution we have today in number of services taxed. Figure 1 shows the national distribution and Figure 2 shows the local distribution.

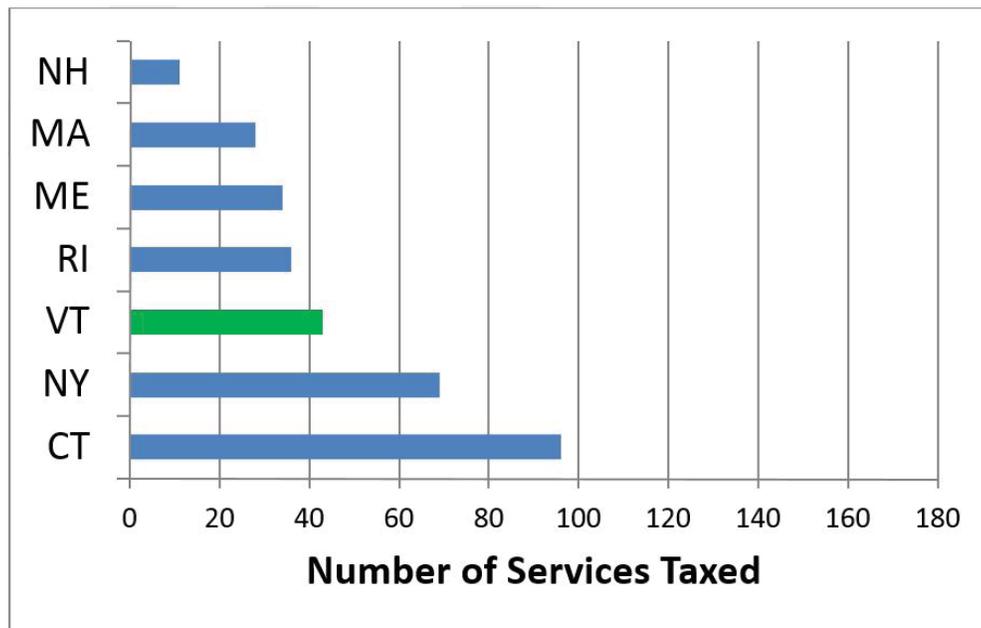
A Special Note: Figures 1 and 2 were generated from a 2010 Federation of Tax Administrators (FTA) survey¹. This survey asked a representative from the tax department of every state to check yes or no for each service on their list. Their list of services was not exhaustive, some responses may be incorrect, and state policy may have changed since 2010, but this data is the best available on this topic. The FTA survey was the source for all the state to state comparisons in this report, and is the source for most existing research on this topic nationwide.

Figure 1: Services Taxed: Vermont vs. All Other States



¹ www.taxadmin.org/services

Figure 2: Services Taxed: Vermont vs. Nearby States



Methodology

The Department used Michael Mazerov's procedure² for gathering the necessary data and generating the estimates on the following pages. Most other revenue estimating procedures use data that is too aggregated to yield an accurate estimate. For example, to generate a revenue estimate for taxing car repair labor, you cannot multiply the total size of Vermont's NAICS industry 811111 (General Automotive Repair) by our sales tax rate. Within the total economic size of that industry there are other elements besides car repair, such as the sale of automotive parts, which are already taxed. Also, a significant part of that industry is repair of cars owned by other businesses or government (a business to business transaction) which needs to be removed from the estimate as per the directive for this study. Furthermore, there are many other businesses that perform car repairs that do not classify themselves in the General Automotive Repair category.³ And finally, the total sales estimates for the many non-employer (one person operation) businesses that perform car repair are kept in a separate table but need to be included to get an accurate revenue estimate.

Mazerov's procedure addresses all these issues. The revenue estimating procedure for each service is lengthy and complex, but the process is valuable both for generating estimates and delineating and defining exactly what the service is and which industries will be affected. In the tables in the following pages there is a column called **Service Description** which is the description that belongs to the listed product and service code. This is the true service that is being taxed, and you will see that a particular service, like car repair, usually touches many NAICS industries. The Census breaks down how much of a particular industry's economic size is related to that service in its Product and Services table, and that is the applicable figure for eventual revenue estimation not the total size of the industry.

² *Using Economic Census Data to Estimate the Revenue Impact of Taxing Services*. Michael Mazerov. February 15, 2012.

³ For example, new car dealers (NAICS code 441110) and used car dealers (NAICS code 441120) often perform repair work to cars. There are also many businesses performing car repairs that do not have any employees (owner is sole employee) which are therefore not included in NAICS industry totals, but need to be included for our estimate.

You will also notice columns called **#Other States** and **#/20 Other Full Streamline States**. This data is either directly from the 2010 FTA survey if the number is in bold, or extrapolated from the survey if it is not. These columns are what we looked at when deciding what was “most commonly taxed in other states.” Looking at these columns narrowed the number of services that we considered. Since there are very few services that more than 50% of states tax but Vermont does not, the Department considered any service that is taxed in a reasonable number of other states.

Findings

Some data show the percent of household consumption spent on services rapidly outpacing the percent spent on goods. However, it is important to note that healthcare is included as a service and is responsible for much of that growth. Spending on higher education also constitutes a large part of that growth. Since no other states tax these things they were excluded from this study from the outset – narrowing the services to pick from and excluding a significant part of the service economy.

Professional services like legal, tax preparation, and architectural consulting also constitute a significant portion of the growth in the service economy. People spend much more on lawyers now than they did fifty years ago. Wealthy people especially tend to spend money on things like financial planning services, interior design and architecture. Some economists and policymakers would argue that these things should be taxed. But the Department was asked to look at services most commonly taxed in other states, and these services are not. Only five other states tax professional services: Delaware, Hawaii, South Dakota, New Mexico and Washington. Only Washington and South Dakota have a traditional sales tax, the other three states have alternative structures. Nevertheless, revenue estimates for taxing professional services are included in Appendix I. These estimates were also generated using Mazerov’s methodology (business to business excluded, etc.) and are considerably lower than similar ones from the Joint Fiscal Office and the Blue Ribbon Commission’s Final Report. Appendix I also includes revenue estimates for other services that were ruled out because they’re taxed in too few other states.

When looking at the services Vermont does not tax but a reasonable amount of other states do, it became clear that we could break the services up into the following categories:

1. Related to Tangible Personal Property (automobile)
2. Related to Tangible Personal Property (non-automobile)
3. Not Related to TPP

Vermont’s current sales tax is mostly structured around tangible personal property people buy at stores. Over time, the sales tax has also been extended to the rental of many tangible items such as skis, because even though renting is technically a service, it can be thought of as a substitute for a sale of property. The organization of our service continues that vein of thinking. The revenue estimates are not divided into \$15M and \$30M, but are instead divided by category (although the category totals are close to those numbers). A \$15M or \$30M plan could certainly be constructed in an a-la-carte manner.

Some Notes:

- Unfortunately, the FTA survey did not ask about some of the things on the “Not Related to TPP” list, so to get an estimate of the number of states that tax the service in question would require additional research.
- The data we passed to the state economists to do their portion of the study included information on whether our immediate neighbors tax the service on the list, and it should be noted that, for almost all of them, New York does, Massachusetts and New Hampshire do not.
- Compliance rates were not factored into these estimates.

Related to TPP (automobile) ~ 19 million						
NAICS Industry	Industry Description	Product and Services Code(s)	Service Description	# Other States	#/20 Other Full Streamline States	Revenue (Millions)
811111	General automotive repair	31721, 31723, 31730, 31741, 31742, 31750, 31760, 31770, 31781, 31782, 31783, 31790, 31810, 31821, 31822, 31824, 31830, 31840, 31850, 31860, 31870, 31880, 31890, 32160	All types of repair, maintenance, inspection, etc. to cars, trucks, rvs	24	9	6.22
441110	New Car Dealers	29916, 29943, 29947	Labor Charges, work under warranty, and value of service contracts	24, 5, 32	9, 1, 12	4.78
811121	Automotive body, paint, and interior repair and maintenance	31721, 31722, 31723, 31740, 31750, 31821, 31825	Body, paint, and interior repair for cars, trucks, and rvs	25	9	3.24
811191	Automotive oil change and lubrication shops	31741, 31742, 31760, 31890	Repair work done at lube shops	25	9	1.54
811122	Automotive glass replacement shops	31723	Body repair for cars & light trucks - Glass repair & replace	24	9	0.90
811192	Car washes	31711, 31712, 31714, 31810	Car washes for cars, trucks, and other road vehicles	25	9	0.79
488410	Motor vehicle towing	40000	Industry total	19	11	0.72
447190	Other gasoline stations	29904	Labor charges for work performed by this establishment (a store)	24	9	0.30
811122	Automotive glass replacement shops	31823	Body repair for other road transportation vehicles - Glass repair	24	9	0.16
811113	Automotive transmission repair	31740, 31750	Maintenance and power train repair for car and trucks	24	9	0.12
441120	Used car dealers	29916	Labor Charges	24	9	0.11
441310	Automotive parts and accessories stores	29904	Labor charges for work performed by this establishment (a store)	24	9	0.10
447110	Gasoline stations with convenience stores	29904	Labor charges for work performed by this establishment (a store)	24	9	0.10
447110	Gasoline stations with convenience stores	29934	Car Wash Receipts	24	9	0.04

Related to TPP (non-automobile) ~ 8 million

NAICS Industry	Industry Description	Product and Services Code(s)	Service Description	# Other States	#/20 Other Full Streamline States	Revenue (Millions)
531130	Lessors of miniwarehouses and self-storage units	52080	Rental of mini-warehouses and self-storage units	13	5	0.94
812910	Pet care (except veterinary) services	32421, 32423, 32425	Pet Care services but not veterinary	18	9	0.71
811490	Other personal and household goods repair and maintenance	32110	Maint & repair - Recreational transportation equipment	24	10	0.58
721211	RV (recreational vehicle) parks and campgrounds	20080	Recreational vehicle (RV) and tent sites for travelers and others	27	10	0.57
812320	Drycleaning and laundry services (except coin-operated)	32300	Dry cleaning services	22	10	0.48
454311	Heating oil dealers	29904	Labor charges for work performed by this establishment (a store)	15	5	0.46
811412	Appliance repair and maintenance	32052	Maint & repair - Major household-type appliances	24	10	0.37
442210	Floor covering stores	29904	Labor charges for work performed by this establishment (a store)	23	9	0.30
812930	Parking lots and garages	32430	Parking services	21	7	0.28
443112	Radio, television, and other electronics stores	29943	Value of service contracts	32	12	0.22
441320	Tire dealers	29904	Labor charges for work performed by this establishment (a store)	28	13	0.21
713930	Marinas	31101, 31102, 31103, 31104	Pleasure craft docking, launching, utilities, and storage	16	6	0.21
811420	Reupholstery and furniture repair	32060	Maintenance & repair - furniture	24	10	0.20
811211	Consumer electronics repair and maintenance	31960	Maintenance & repair services for consumer electronics	24	10	0.18
811310	Commercial and industrial machinery and equipment (except automotive and electronic) repair and maintenance	32010, 32020, 32032	Maintenance and repair to equipment	24	10	0.17
541940	Veterinary services	32420	All non-medical pet care services	18	9	0.15
451110	Sporting goods stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.15
532220	Formal wear and costume rental	52640	Rental and leasing of formal wear, costumes, and accessories	39	17	0.13
443112	Radio, television, and other electronics stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.13
811411	Home and garden equipment repair and maintenance	32051	Maint & repair - Household-type lawn/garden, & snow removal equip	24	10	0.12
443111	Household appliance stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.12

Related to TPP (non-automobile) ~ 8 million (cont.)

443111	Household appliance stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.12
441221	Motorcycle, ATV, and personal watercraft dealers	29904	Labor charges for work performed by this establishment (a store)	24	10	0.12
441210	Recreational vehicle dealers	29904	Labor charges for work performed by this establishment (a store)	24	10	0.12
453910	Pet and pet supplies stores	29942	Pet care services, incl boarding, grooming, etc	18	9	0.09
561790	Other services to buildings and dwellings	33513	Swimming pool cleaning & maintenance services	17	8	0.09
442210	Floor covering stores	29911	Delivery & installation charges	23	9	0.08
448310	Jewelry stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.05
442110	Furniture stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.05
441221	Motorcycle, ATV, and personal watercraft dealers	29943	Value of service contracts	32	12	0.05
441222	Boat dealers	29904	Labor charges for work performed by this establishment (a store)	24	10	0.05
442110	Furniture stores	29909	Delivery charges	23	9	0.05
444210	Outdoor power equipment stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.04
451140	Musical instrument and supplies stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.04
811212	Computer and office machine repair and maintenance	31931, 31932, 31933	Maintenance and repair to computers	24	10	0.03
713920	Skiing facilities	32104	Maint & repair - Other sports & recreational equipment	24	10	0.02
454312	Liquefied petroleum gas (bottled gas) dealers	29904	Labor charges for work performed by this establishment (a store)	15	5	0.02
812320	Drycleaning and laundry services (except coin-operated)	32090	Maint & repair - Garment alteration	22	10	0.01
812320	Drycleaning and laundry services (except coin-operated)	32090	Maint & repair - Garment alteration	20	10	0.01
811111	General automotive repair	32111, 32114	Maintenance and repair to motorcycles and watercraft	25	10	0.01
444220	Nursery, garden center, and farm supply stores	29904	Labor charges for work performed by this establishment (a store)	24	10	0.01
531120	Lessors of nonresidential buildings (except miniwarehouses)	52080	Rental of mini-warehouses and self-storage units	13	5	0.01
713930	Marinas	32102	Maint & repair - Sports & rec equipment - Water sports equip	24	10	0.01
531110	Lessors of residential buildings and dwellings	52080	Rental of mini-warehouses and self-storage units	13	5	0.01
442210	Floor covering stores	29935	Carpet repair rcpts & oth labor charges - work perf by this estab	24	10	0.00
531190	Lessors of other real estate property	52080	Rental of mini-warehouses and self-storage units	13	5	0.00

Not Related to TPP ~ 17 million

NAICS Industry	Industry Description	Product and Services Code(s)	Service Description	# Other States	#/20 Other Full Streamline States	Revenue (Millions)
561730	Landscaping services	33520	All residential and commercial landscaping services	21	8	7.98
713940	Fitness and recreational sports centers	31320, 31450	Athletic Instruction, sports teams and club services	22	10	3.21
813910	Business associations	32510	Membership services			1.42
813410	Civic and social organizations	32510, 32590	Membership services & Gaming Services			1.38
485320	Limousine Service	40000	Industry Total	16	8	0.61
813920	Professional organizations	32510	Membership services			0.38
813312	Environment, conservation and wildlife organizations	32510	Membership services			0.33
611699	All other miscellaneous schools and instruction	30062	Instruction & training - Visual arts, crafts, & photography			0.28
485310	Taxi Service	40000	Industry Total	8	3	0.27
813319	Other social advocacy organizations	32510	Membership services			0.25
713920	Skiing facilities	31320, 31420	Athletic Instruction and Spa Services	22	10	0.19
611620	Sports and recreation instruction	30063, 30067	Sports, recreation and leisure instruction	22	10	0.17
611710	Educational support services	30090, 30100	Educational Support and Consulting services			0.16
813311	Human rights organizations	32510	Membership services			0.16
611691	Exam preparation and tutoring	30071	Exam preparation courses			0.07
611610	Fine arts schools	30060	Leisure & recreation activities instruction & training			0.04
713990	All other amusement and recreation industries	31450	Amateur sports team & club services			0.03

BOLD in the # of states columns indicates figure is taken directly from the FTA 2010 survey

Non-bold in the # of states columns indicates the figure is an estimate extrapolated from the FTA 2010 survey

Missing values in the # of states columns indicates no data was available for this service

Appendix I: Services Not Included

NAICS Industry	Industry Description	Product and Services Code(s)	Service Description	# Other States	#/20 Other Full Streamline States	Revenue (Millions)
Veterinary ~ 5 million						
541940	Veterinary services	37941-37945	All exams, surgeries, lab testing, etc. for pet health	5	0	5.15
Hair, Skin, & Nails ~ 7.5 million						
812112	Beauty Salons	32200, 32210, 32220, 32230, 32240, 32250,	Hair, Nail, Skin, Hair Removal, Massage, etc.	7	2	4.30
812113	Nail Salons	32210	Manis, Pedis, etc.	7	2	2.23
81219	Diet and weight reducing centers	32270	Weight Loss Services	7	2	0.77
812199	Other Personal care Sevices	32210, 32220, 32230, 32240	Nail, Skin, Hair Removal, Massage	7	2	0.19
Funeral ~ 1.5 million						
812210	Funeral homes and funeral services	32350,32360, 32400	Pre-burial services, Intemment, and packaged funeral services	13	5	1.21
812220	Cemeteries and crematories	32360, 32380	Intemment, Cemetery maintenance	13	5	0.55
Travel ~ 1.0 million						
561510	Travel Agencies	33111 - 33117, 33130, 33260	Reservations, Trip Planning, Insurance, and other travel services	4	1	0.43
561520	Tour Operators	33113, 33115, 33141, 33142, 33260	Reservations, tour operation, travel insurance, etc.	4	1	0.49
Household Services ~ 4.5 million						
511110	Newspaper Publishers	34511, 34512	Subscriptions and Sales of Daily and non-daily news papers			1.03
561710	Exterminating and pest control services	33421	Pest extermination & control services - Residential	20	8	0.25
561720	Janitorial services	33440, 33460, 33490, 33501, 33514, 33515, 33517	Interior Cleaning, Windows, damage restoration , floor care, carpet/upholstery/curtains, ducts, snowplowing	19	7	0.85
561730	Landscaping Services	33515	Snowplowing			0.41
561740	Carpet and upholstery cleaning services	33501	On-site carpet/upholstery cleaning services, inc curtains - Res	19	8	0.61
561790	Other services to buildings and dwellings	33501, 33515	Chimney Cleaning and snowplowing			0.29
562111	Solid Waste Collection	33871	Non-hazardous - waste collection services, residential	10	3	0.34
562920	Materials recovery facilities	33920	Non-hazardous waste & recyclable mat consolidation, storage, prep	10	3	0.46
562991	Septic Tank Related	33913, 33914	Septic Tank Maintenance and Portable Toilet Rental	10	3	0.30

NAICS Industry	Industry Description	Product and Services Code(s)	Service Description	# Other States	#/20 Other Full Streamline States	Revenue (Millions)
Professional Services ~ 8.6 million						
541110	Offices of Lawyers	36721-36727, 36732, 36741, 36743, 36760, 36800	Various legal services provided to non-businesses	5	0	5.12
541191	Title abstract and settlement	36741	Title, abstract, & settlement services	5	0	1.92
541211	Offices of certified public accountants	36891, 36910, 36950, 38750, 38980	Tax planning & preparation, personal finance, etc.	5	0	0.65
541213	Tax preparation services	36891, 36910, 38750	Tax planning, preparation, and bookkeeping/compilation	5	1	0.34
541330	Engineering Services	38190, 38200, 38230, 38250	Design-build construction, inspection, etc.	5	0	0.20
541340	Drafting Services	38380	Architectural drafting services	5	0	0.15
541219	Other Accounting Services	36891, 36910, 38750	Tax planning, preparation, and bookkeeping/compilation	5	0	0.09
541350	Building Inspection Services	38200	Home Inspection Services	5	0	0.08
541370	Surveying and mapping (except geophysical) services	37210, 37241-37246	Surveying, topographic, property boundaries, subdivision layout, geodetic, etc.	7	1	0.07
541380	Testing Laboratories	39023, 39026, 39041	Testing water, air, soil, etc.	7	1	0.00
54140	Interior Design Services	38501, 38501, 38510	Interior design and decorating	10	2	0.00
541620	Environmental consulting services	38841, 38845, 38850, 38861, 38864, 38870, 38880, 38891, 38892, 38900, 38911, 38912, 38913, 38940	All types of environmental testing, consulting, and remediation	7	1	0.00

BOLD in the # of states columns indicates figure is taken directly from the FTA 2010 survey						
Non-bold in the # of states columns indicates the figure is an estimate extrapolated from the FTA 2010 survey						
Missing values in the # of states columns indicates no data was available for this service						

Appendix II: Draft Regulations

Sec. 94 of Act 57 asked for the report to include draft rules “which shall identify specific services by industry type that are taxable or not taxable.” There are often more sourcing issues with services as opposed to tangible personal property. This is a compilation of various approaches to regulations, mainly on sourcing, found in the Streamlined Sales and Use Tax Agreement and other states. If the sales tax was extended to any of the services outlined below, the Department would consider this a starting point, but would move to do a much more thorough analysis before proposing related regulations.

Receipt of Services Generally

A. In cases where the service is received by the purchaser at a location of the seller, the seller is to source the service to that location. If the purchaser receives the service at any other location, and that location is known to the seller, the sale of the service is sourced to that location. If the location of receipt by the purchaser is unknown to the seller of the service, the seller should source the sale of the service according to the provisions of section 310.A.3, 4 or 5 of the Agreement as appropriate.

B. The location where the purchaser can potentially first make use of the result of the service is the location of the “receipt” of the service. The location where the seller performs the service is not determinative of the location where the purchaser “receives” the service.

Receipt of Services Performed On Tangible Personal Property

A. 1. A service performed on tangible personal property is a service that changes some aspect of the property, such as its appearance or function. Services with respect to tangible personal property, such as inspection and appraisal, are not addressed in this rule.

2. Examples of services performed on tangible personal property include, but are not limited to:

- (a) Repair, calibration or maintenance of tangible personal property;
- (b) Painting or refinishing tangible personal property, including motor vehicle painting or detailing;
- (c) Washing or cleaning tangible personal property, including laundry or dry cleaning services, and motor vehicle washing services;
- (d) Some veterinary services and animal grooming services.

B. A service performed on tangible personal property is received at the location where the customer can potentially make first use of the tangible personal property on which the seller performed the service. In general, this is the location where the tangible personal property is returned to the purchaser.

C. The following examples illustrate the proper determination of the location of “receipt” for services performed on tangible personal property.

1. Repair or maintenance of tangible personal property.

- (a) A resident of State A takes a lawnmower to a repair shop in State B to have the engine serviced and the blade sharpened. When the lawnmower is ready, the owner picks it up at the repair shop. The repair service is received at the repair shop location in State B since the owner first has possession of the repaired item at that location. The repair transaction is sourced to State B.
- (b) Same facts as in Example C.1.a above except that the repair shop delivers the repaired lawnmower to the owner’s residence in State A. In this case, the owner receives the service at that residence in State A since that is the location where the lawnmower is returned to the owner of the lawnmower. This repair transaction is sourced to the owner’s residence in State A.
- (c) A homeowner in County Z contacts an appliance repair service provider located in County Y to have a

clothes dryer repaired. The repair service provider dispatches a technician to the owner's home to make the needed repairs. The owner receives the repair service in County Z since the repaired dryer remains at that location. This transaction is sourced to County Z.

(d) A manufacturer in State A uses gauges in its production process to assure its product meets specifications. Periodically, the manufacturer ships the gauges to a laboratory in State B to verify that they are producing proper measurements. The laboratory tests the gauges and adjusts the calibration on the gauges. The laboratory ships the gauges back to the manufacturer's location in State A. Therefore, the transaction is sourced to the location of the manufacturer in State A. If, on the other hand, the manufacturer picks up the calibrated gauges from the testing laboratory in State B, the transaction is sourced to its business location in State B.

(e) Same facts as in Example C.1.d. above, except that the manufacturer hires a shipping company, such as a common or contract carrier, to pick up the tested and recalibrated gauges and deliver them to the manufacturer's location in State A. The terms "receive" and "receipt" do not include possession by a shipping company on behalf of the purchaser, so the transaction is sourced to the manufacturer's location in State A.

2. Painting or refinishing tangible personal property.

(a) A law office in County Y has some antique bookcases it wishes to have refinished. The bookcases are picked up by a refinisher and taken to the refinisher's shop in County Z. The refinished bookcases are then delivered by the refinisher to the law office. The transaction is sourced to the location of the law office in County Y. If, instead, the law office sends one of its employees to the refinisher to pick up the refinished bookcases, the transaction is sourced to the refinisher's location in County Z.

(b) A business hires a painter to paint several file cabinets. The painter does the painting on site at the purchaser's office location. Because the file cabinets remain at the same location, the transaction is sourced to the purchaser's office location.

3. Cleaning tangible personal property.

(a) An individual takes laundry to a dry cleaner's store. After the clothing is cleaned, the purchaser returns to the dry cleaner to pick up the clothing. The dry cleaner returns the clothes to the purchaser at the dry cleaner's store. The transaction is sourced to the location of the store.

(b) An automobile is delivered to a car wash. The car wash operator cleans the automobile while the owner waits at the facility. When the automobile is cleaned, it is returned to the owner. The purchaser makes first use of the car washing service at the car wash location since that is where the cleaned automobile is returned. The transaction is sourced to the location of the car wash.

4. Certain veterinary services and animal grooming services.

(a) Drug company in State A is conducting a clinical trial of a livestock vaccine. The drug company hires a veterinarian in State B to inoculate cattle owned by a rancher in State C. The veterinarian goes to State C and inoculates the rancher's cattle with the drug company's vaccine. The veterinary services are received at the ranch in State C. The sale of the veterinary services is sourced to State C.

(b) A pet owner in County Y takes a pet to a veterinarian in County Z for treatment. The treatment is performed at the veterinarian's office in County Z. The owner receives the treated pet at the veterinarian's office. The transaction is sourced to County Z.

(c) Same facts as in example C.4.b above except that the veterinarian has an employee deliver the treated pet to the owner's home. In this case, the owner receives the treated pet at the pet owner's home in County Y. The transaction is sourced to County Y.

(d) A pet owner hires a mobile pet washing service to come to County Y and bathe a dog. The dog never leaves the owner's home. The pet washing service transaction is sourced to the pet owner's home in County Y.

Vehicle Repair

A. Persons engaged in the business of repairing vehicles are rendering, furnishing or performing a service, the gross receipts from which are subject to tax. "Repair" shall include any type of restoration, renovation or replacement of any motor, engine, working parts, accessories, body or interior of the vehicles, but shall not include installation of new parts or accessories which are not replacements, added to the vehicles. "Vehicle" shall mean a vehicle commonly used on a highway propelled by any power other than muscular power.

B. A fee charged for the disposal of an item in connection with the performance of an enumerated service is subject to tax if the fee for the disposal of the item is not separately contracted for or itemized in the billing for the charge in the itemized service. However, if the fee charged for disposal of an item in connection with the performance of an enumerated service is itemized or separately contracted for, then the disposal fee is not subject to sales or use tax. Items that may be subject to a disposal fee in connection with a taxable service include, but are not limited to, air filters, oil, tires, and batteries.

Transactions where tangible personal property is or is to be stored

A. A transaction in which "tangible personal property is or is to be stored" under 32 VSA §____ means transactions involving any keeping or holding of another's tangible personal property or any provision of space that is used to store another's tangible personal property.

B. In a transaction in which "tangible personal property is or is to be stored" pursuant to 32 VSA §____, it is not relevant whether the storage of the tangible personal property is at a location that constitutes personal property or real property. The tax must be charged on the full fee or charge for the transaction.

C. "Tangible personal property is or is to be stored" includes, but is not limited to, the following and similar transactions related to:

- (1) Except as provided in paragraph (D) of this rule, the holding of tangible personal property for the consumer for which there is a charge;
- (2) The short-term or long-term holding of clothing for a consumer in a vault or other facility;
- (3) Any other bailment of personal property for which a fee is charged;
- (4) The provision of a locker, self-storage unit, building, or other property, both real and personal, for the lessee's or renter's use in storing tangible personal property;
- (5) The provision of dry-dockage or of out-of-water storage for watercraft;
- (6) The provision of safe deposit boxes; or
- (7) Except for parking as provided in paragraph (D)(2) of this rule, the holding of, or provision of space to keep a motor vehicle.; or
- (8) Airplane storage. "Airplane storage" is an aircraft at rest, either in a hangar or by tie-downs, during which the engine of the aircraft is not maintained in an active or operational condition pursuant to the directives found in the Pilot's Operating Handbook for the aircraft.

D. "Tangible personal property is or is to be stored" does not include the following and similar transactions related to:

- (1) Transactions where the tangible personal property being stored by or for the consumer is held by the consumer for sale in the regular course of the consumer's business, including raw materials and works-in-progress;
- (2) Parking provided as an adjunct to residential accommodations and parking in a public or private commercial facility or lot, used for the parking of vehicles. Parking of vehicles is to be distinguished from the storage of vehicles. Examples of parking would include parking at an airport and parking in a parking lot where the fee is paid on a monthly basis. An example of storage would include the storing of a collectible automobile that is occasion-

- ally removed and returned;
- (3) The in-water moorage of watercraft at a dock or pier;
- (4) The kenneling or boarding of an animal where the true object of such service involves animal care that includes additional services such as the care and feeding of the animal and the charges for such additional services are not separately stated;
- (5) The provision of private mail boxes; or
- (6) Bailments where no fee is imposed as a condition of the bailment, even if tipping is permitted.

Veterinarians and their suppliers

A. Sales by veterinarians.

- (1) Charges made by veterinarians which are exempt from the sales tax include charges for the following:
 - (a) Medical services.
 - (b) Hospitalization services.
 - (c) Drugs.
 - (d) Services performed to animals which are livestock or poultry or farm work stock, regardless of whether the service is a veterinary service.
- (2) Charges made by veterinarians which are subject to the sales tax include charges for the following activities for animals:
 - (a) Boarding.
 - (b) Grooming.
 - (c) Clipping.
- (3) Sales of tangible personal property and items, property, and goods by veterinarians which shall be taxable include the following:
 - (a) Leashes, collars, and other pet equipment.
 - (b) Pets.
 - (c) Pet food, other than medicated pet food.

B. Purchases by veterinarians.

- (1) Sales to veterinarians of drugs for animals and sales to veterinarians of other tangible personal property and items, property, and goods, to be used or furnished by them in the performance of their professional services to animals shall be subject to the sales or use tax, except as provided in par. (b).
- (2)
 - (a) Veterinarians' purchases of drugs used on farm livestock and farm workstock, are exempt from tax.
 - (b) Veterinarians' purchases of animal identification tags from the Wisconsin department of agriculture, trade and consumer protection are exempt from tax. Purchases of animal identification tags from other suppliers which veterinarians provide to customers in performing professional services to animals are subject to tax.

Car Wash Services

Sales of "car wash services, including coin-operated car washes" are subject to sales and use tax. "Car wash services" include, but are not limited to, the following:

- (a) automatic "tunnel" washes;
- (b) self-service washes;
- (c) waxing;
- (d) polishing;
- (e) detailing;
- (f) vacuuming;
- (g) shampooing upholstery and carpet;
- (h) cleaning and conditioning leather, vinyl and plastic; and

- (i) cleaning windows.

Laundry and Dry Cleaning Services

Charges for the providing or furnishing any laundry and dry cleaning services including cleaning, pressing, repairing, altering, and storing clothes, linen services and supply, cleaning and blocking hats, and carpet, drapery, upholstery, and industrial cleaning. Laundry and dry cleaning services do not include services provided by coin operated facilities operated by the customer.

Rentals of Clothing and Accessories

Charges for the rental of “clothing,” “clothing accessories or equipment,” “sport or recreational equipment,” and “protective equipment,” as those terms are defined in 32 V.S.A. § 9701, are subject to sales and use tax.

Membership Dues and Initiation Fees

Membership dues and initiation fees paid to any civic organization, social club or business association are subject to sales tax.

- A. Civic organization includes any organization whose official goal is to improve neighborhoods through volunteer work by its members.
- B. Social club includes any club or organization whose material purpose or activity is the arranging of periodic dances, dinner meetings or other functions which afford its members an opportunity to congregate for social interrelationships.
- C. Business association includes any organization founded and funded by businesses or individuals that operate in a specific industry that:
 - (1) offers public relations activities;
 - (2) provides an opportunity for collaboration between businesses and individuals;
 - (3) organizes conferences, networking or charitable events; or
 - (4) offers classes or educational materials.

Charges for Transportation Services

Charges for transporting passengers for compensation via motor vehicle, whether by taxicab, limousine, or any other motor vehicle are subject to sales tax. However, sales tax shall not apply to any scheduled public transportation service.

Installation, Repair, or Maintenance Labor

Charges for installation, repair and maintenance labor on tangible personal property are subject to sales tax.

- A. Installation labor is labor performed on tangible personal property that sets it into position, or is performed to connect, adjust, upgrade, or program it for use.
- B. Repair labor is labor performed on tangible personal property to restore it so it can be used for its original purpose.
- C. Maintenance labor is labor performed on tangible personal property to keep an it in good working order or ensure it keeps operating safely and efficiently.

Service Contracts

Charges for service contracts are subject to sales tax.

- A. Service contract includes any contract where the obligor under the contract agrees to maintain or repair tangible personal property or a motor vehicle.
- B. Examples of a service contract include a warranty agreement other than a manufacturer's warranty or dealer's warranty provided at no charge to the purchaser, an extended warranty agreement, a maintenance agreement, a repair contract, or a similar agreement or contract.

Landscaping, Lawn, and Plant Care Services

Landscaping, lawn, and plant care services are subject to sales tax. Landscaping, lawn, and plant care services include any work you do to maintain or improve lawns, yards and ornamental plants and trees, including:

- A. Planting, transplanting, relocating and removing indoor or outdoor plants;
- B. Identifying, preventing or curing plant diseases;
- C. Pruning, bracing, spraying, fertilizing and watering plants;
- D. Planting, mowing, trimming and edging grass or other ground cover;
- E. Planting and maintaining flower gardens; or
- F. Trimming, spraying, and maintaining trees.

Motor Vehicle Towing

Charge for motor vehicle towing service is subject to sales tax. Motor vehicle towing service means the towing or conveyance of a wrecked, disabled, or illegally parked motor vehicle.

Health and Athletic Club Services

Health and athletic club services provided at an additional charge by a health club, an athletic club, or any other place of entertainment are subject to sales and use taxes whether provided to members or guests. Examples include but are not limited to additional charges for personal training sessions; classes in aerobic exercise, yoga, spinning, Pilates, or cardio-kick boxing; ski lessons; spa services; and any other activities not included in basic membership or service fees.

RV Park and Campground Charges

Charges for the right to use a portion of real property at an RV park or campground is subject to sales tax if such charge is not subject to rooms tax under Chapter 225 of Title 32.