

Georgia Letter Ruling: LR ST-2017-02
Dated: February 22, 2017
Topic: Motor Vehicle Rental

This letter is in response to your request for guidance on the application of Georgia sales and use tax to charges incurred in maintaining motor vehicles held for rent.

Facts Presented by Taxpayer

[Redacted] (“Taxpayer”) is engaged in the business of renting motor vehicles (“rental vehicles”) to the public. Taxpayer’s business requires the performance of routine maintenance and repair of the rental vehicles. Routine maintenance includes oil changes.

Issue

What is the application of Georgia sales and use tax to Taxpayer’s purchase of oil for oil changes to maintain rental vehicles?

Analysis

Georgia levies and imposes a tax (subject to certain specific exemptions) on the retail purchase, retail sale, storage, use, or consumption of tangible personal property, certain enumerated services, and utilities.¹

Any person renting motor vehicles in Georgia must register as a dealer and collect and remit sales tax on the rental charges. Such dealers purchase automobiles, trucks, trailers, repair parts, tires and accessories which become a part of the vehicles to be leased or rented to other persons tax exempt for resale.² However, rental vehicle dealers “are required to pay the tax on purchases of gasoline, fuel, oil, grease, soaps, tools and other tangible personal property used in connection with their operations.”³

As the plain language of the Rule provides, repair parts that become part of a rental vehicle can be purchased tax exempt, but consumable items used in connection with dealer operations are subject to tax. In the course of Taxpayer’s operations as a rental vehicle dealer, Taxpayer maintains the rental vehicles by changing the oil, i.e., Taxpayer purchases motor oil for Taxpayer’s use in maintaining the vehicles. As tangible personal property used in Taxpayer’s operations, oil is subject to Georgia sales and use tax.⁴

Ruling

The purchase of oil by a rental vehicle dealer to maintain its rental vehicles is subject to Georgia sales and use tax.

The opinions expressed in this ruling are based upon the information contained in your request and limited to the specific transactions, facts, circumstances and taxpayer in question. Should the circumstances regarding the transactions change or differ materially from those represented, this ruling may become invalid. In addition, please be advised that subsequent statutory or administrative rule changes or judicial interpretations of the statutes or rules upon which this advice is based may subject similar future transactions to a different tax treatment than that expressed in this ruling.

¹ O.C.G.A. §§ 48-8-1, 48-8-2(31)(A), and 48-8-30(a).

² Ga. Comp. R. & Regs. r. 560-12-2-.10(2).

³ Ga. Comp. R. & Regs. r. 560-12-2-.10(3).

⁴ While Taxpayer inquired as to the applicability of O.C.G.A. § 48-8-3.2 and Ga. Comp. R. & Regs. r. 560-12-2-.62, the exemptions found therein are for manufacturing machinery and equipment, and they are not applicable to the facts presented by Taxpayer.