

Georgia Letter Ruling: LR SUT-2019-11
Topic: Car Wash Service
Date Issued: December 5, 2019

This letter is in response to your request for guidance on the application of Georgia sales and use tax to charges by Taxpayer for washing and/or waxing cars.

Facts Presented by Taxpayer

Taxpayer is engaged in the car wash business. Taxpayer sells four wash services, which are itemized as follows in ascending cost order. First, Taxpayer offers a basic exterior wash of the car. Second, is a service including the basic wash plus washing the undercarriage as well as UV protection for the car. Third, not only are the previously described services included, but also included are a wheel cleaning and a specific type of coating on the car. The fourth package includes the other packages plus wax and tire gloss.

A customer will drive up to an entrance to select the type of car wash service the customer desires. After paying for the service, the customer drives to the entrance of the "tunnel." The tunnel is an enclosed area where all aspects of the service (wash, wax, etc.) take place. The car is pulled through the tunnel on a conveyor belt. The belt requires the car to be in "neutral" and for the driver to release his or her grip of the steering wheel. The belt moves the car to each service in the tunnel - from the water application to the soap and rinse, as well as any waxing or tire cleaning/gloss if purchased. Once a customer's car has received all its wash services, the car is moved to the end of the tunnel where the belt ends. At that point, the driver must place the car in "drive" and retake control of the car to fully and properly exit the tunnel. At no time throughout the entire process of the car being in the tunnel does a customer leave the car.

Regardless of whether a wash is purchased, customers have the option of using vacuums that are provided free of charge on the side of the property. Here, in addition to the vacuums, a vending machine styled device is available for customers to purchase towels as well as air fresheners. Purchases of towels and air fresheners are not related to the car wash sale. In other words, the towels and air fresheners are not sold in conjunction with a car wash, as customers can bypass the car wash altogether to purchase a towel and/or air fresher or use the free vacuums. Taxpayer currently charges tax on the sale of the towels and air fresheners. Taxpayer also has a free car mat cleaning service. In a central area by the vacuums, Taxpayer has a machine customers may use, free of charge. The machine shakes the car mat to loosen particles trapped and embedded in the car mat. The machine will then wash the car mat. Like the vacuums, towels, and air fresheners, the car mat cleaners are independent of the wash service - i.e., the car mat cleaning is not tied to whether a customer purchases anything from Taxpayer, as customers may enter the premises solely to clean their car mats.

Issue

Are the charges by Taxpayer for the four car washing and/or waxing transactions described above subject to Georgia sales and use tax?

Analysis

Georgia levies and imposes a tax (subject to certain exemptions) on the retail purchase, retail sale, rental, storage, use, or consumption of tangible personal property and on certain enumerated services.¹ A "retail sale" is any sale, lease, or rental for any purpose other than for resale, sublease, or subrent.² Unlike sales of tangible personal property, which are generally presumed taxable, sales of services are not subject to the tax unless the service is specifically designated as taxable.

¹ O.C.G.A. §§ 48-8-1 and 48-8-30.

² O.C.G.A. § 48-8-2(31).

While the transactions described above might leave a small amount of tangible personal property (e.g., wax, coatings, water, etc.) on the cars being washed and waxed, and, thus, a small amount of tangible personal property might be transferred to customers, a customer's purpose in entering into the transaction is to buy Taxpayer's washing and waxing services presumably because the customer lacks the requisite equipment, time or skill.³ These washing and waxing services are not among the enumerated taxable services in O.C.G.A. §48-8-2, and they are akin to automobile refinishing and painting, which are nontaxable personal services.⁴

Ruling

The charges by Taxpayer for the four car washing and/or waxing transactions described above are not subject to Georgia sales and use tax. Such charges are for nontaxable services and not for the sale of tangible personal property. Taxpayer is liable for sales and use tax on any tangible personal property that it purchases to perform these services.

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. The facts herein are those presented by the taxpayer and the Department accepts them as true for this ruling. If the facts presented herein change, are not true, are different, or material facts have been omitted, the conclusions reached in this ruling may change. In addition, 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.

³ See *Craig-Tourial Leather Co. v. Reynolds*, 87 Ga App. 360 (1952) (providing that in the context of shoe repairs, the main consideration should be the purpose of the customer and concluding that the customer's purpose was to obtain repair services and that the tangible personal property in the transaction was only incidental to the service).

⁴ Ga. Comp. R. & Regs. 560-12-2-.08.