

Sales and Use Tax Exemption for Coin-operated Car Wash Services

On August 16, 2005, Governor George E. Pataki signed into law Chapter 528 of the Laws of 2005, which amended section 1115(t) of the Tax Law, relating to the sales and compensating use tax exemption on purchases of coin-operated car wash services.

Beginning December 1, 2005, the exemption from sales and use tax for coin-operated car wash service is expanded to include, in the circumstances described below, the receipts of a car wash facility from sales of the service of washing, waxing, or vacuuming a motor vehicle or other tangible personal property when the service is done by **automated equipment** without the assistance of the purchaser or user of the service.

Prior to this amendment, the exemption allowed under section 1115(t) was limited to the receipts of a coin-operated car wash facility when the purchaser or user of the services washed, waxed, or vacuumed a motor vehicle or other tangible personal property at the facility, and neither the vendor nor the vendor's employee assisted in the washing, waxing, or vacuuming.

Therefore, as of December 1, 2005, the exemption from sales and use tax will apply to the receipts of a coin-operated car wash facility when the washing, waxing, or vacuuming is performed by means exclusively of coin-operated equipment, and neither the vendor nor the vendor's employees assist in the washing, waxing, or vacuuming;

and either:

- the purchaser or user washes, waxes, or vacuums the vehicle or other tangible personal property; or,
- the vehicle or other tangible personal property is washed, waxed, or vacuumed by means of automated equipment without assistance by the purchaser, as may be the case of an in-bay car wash facility.

For purposes of this exemption, *coin-operated equipment* (self-service or automated) means equipment that accepts payment in the form of coins, currency, or tokens. Where coin- or currency- or token-operated equipment also accepts debit or credit cards, only the coin, currency or token sales will be exempt. Please see TSB-M-97(12)S, *Summary of Sales Tax Changes, 1997 Budget Legislation*.

Example: In January 2006, Mr. C. takes his vehicle to the car wash. The car wash is an automated single bay facility in which Mr. C. deposits cash into the machine and drives into the bay, where the equipment moves over his vehicle to wash it. At the end of the wash cycle, the bay door automatically opens allowing Mr. C. to exit the facility. The amount paid by Mr. C. is not subject to the sales tax as the vehicle was washed by means exclusively of coin-operated equipment and neither the owner nor the employee of the car wash facility assisted in washing the vehicle.

Example: On December 17, 2005, Mrs. B. drives to a local car wash facility where she pays the attendant to have her vehicle washed. The attendant uses a soapy brush to lather the bumpers of the vehicle and directs Mrs. B. onto the track, where she is instructed to place the vehicle in neutral. The track moves her vehicle through the car wash. Upon completion of the car wash, Mrs. B. engages the vehicle and drives off. The receipts are subject to the sales tax at this facility since the car wash was not performed exclusively by means of coin-operated equipment and the employee of the facility assisted in the washing of the vehicle.

Example: On December 20, 2005, Mr. S. fills his vehicle with fuel at the local service station which operates an automated car wash facility on its premises. Mr. S. decides to purchase a car wash at the facility, and pays the attendant \$5.00 for the service. Upon payment, the attendant provides Mr. S. with a ticket that contains a 4 digit pin code. Mr. S. drives up to the touch pad screen at the entrance to the car wash facility, enters the 4 digit code, and enters the car wash facility where his vehicle is washed by automated equipment. The receipts for the car wash service purchased by Mr. S. are subject to sales tax since the car wash was not performed exclusively by means of coin-operated equipment.

(See Tax Law section 1115(t).)