

CAR WASH SERVICES

Sales and Use Tax Fact Sheet 2108

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This fact sheet provides information about sales and purchases made by operators of car washes.

Taxable Sales By Car Wash Operators

Car Wash Services - Car wash services are taxable, unless an exemption applies. Taxable car wash services include manual, coin-operated, self-service, and automatic car washes.

Other Taxable Services – Other taxable services offered by car wash operators include:

- Vacuuming and shampooing upholstery
- Cleaning windows
- Waxing and polishing cars
- Cleaning tires and rims
- Changing oil and filters

Sales of Supplies and Accessories - A car wash operator's sales of the following supplies and accessories are taxable (this list is not all-inclusive):

- Air fresheners
- Cleaners
- Dashboard accessories
- Emergency road kits
- Flashlights
- Floor mats
- Key chains
- License plate frames
- Maps
- Microfiber towels
- Novelties
- Paper towels
- Sunglasses
- Trash bags
- Visor wallets
- Windshield wiper solutions

Sales of Food and Beverages – Sales of candy, soft drinks, and prepared food are taxable. Examples include:

Taxable	Exempt
Candy bars that do not contain flour	Bottled water that is not sweetened
Soft drinks	Pretzels, unless candy-coated
Sports drinks that do not contain milk	Chocolate milk sold in a carton or plastic bottle
Chewing gum	Fresh fruit that is not prepared food (e.g., banana, orange)
Bottled water that is sweetened	Popcorn, unless candy-coated
Coffee served heated	Fruit juice that contains at least 50% juice
Caramel popcorn	Cookies (pre-packaged)

For additional information about the tax treatment of food and food ingredients, see [Publication 220, Grocers](#).

Sales of Business Assets - A car wash operator's sales of tangible personal property used in operating the car wash (e.g., used equipment, furniture, fixtures, vehicles) are subject to Wisconsin sales tax if the car wash holds or is required to hold a seller's permit at the time of sale.

Example 1: Car Wash purchases a new coin and bill changer and sells its old coin and bill changer while continuing to operate the car wash. Car Wash's sale of the coin and bill changer is subject to sales and use tax.

Exception: A car wash operator's sales of business assets that it used to conduct its trade or business at a location are exempt from tax if the sale of the business assets occurs after the car wash ceased operating the business at that location. This exemption does not apply to sales of inventory held for sale or sales of motor vehicles, boats, snowmobiles, recreational vehicles, trailers, semitrailers, all-terrain vehicles, utility-terrain vehicles, or aircraft (although other exemptions may apply such as resale).

Exempt Sales By Car Wash Operators

Services to Exempt Property - Car wash services for the following items are exempt if the service provider receives a fully completed exemption certificate (Form S-211):

- Motor trucks, tractors and trailers used exclusively in common or contract carriage by common or contract carriers
- Farm machines used exclusively and directly in farming
- Motor vehicles held for sale by a retailer

Example 2: Motor Vehicle Dealer takes several of the motor vehicles it holds for sale to Car Wash to be cleaned. The charge by Car Wash is not subject to Wisconsin sales or use tax because at the time the motor vehicles are cleaned, Motor Vehicle Dealer would have been able to buy the motor vehicles without tax, for resale. Motor Vehicle Dealer must provide Car Wash with a fully completed exemption certificate, claiming resale, in order to claim the exemption. If Car Wash does not receive an exemption certificate from Motor Vehicle Dealer, Car Wash is subject to tax on its sale of the car wash services.

Gasoline Sales - Some car wash retailers also sell gasoline.

Sale of Gasoline Only - The sale of gasoline that is subject to Wisconsin motor fuel taxes is not subject to sales tax.

Sale of Gasoline With a Car Wash - A car wash operator may discount the price of the car wash or provide a free basic car wash contingent upon the customer purchasing a minimum amount of gasoline.

- If a car wash is provided free of charge with the purchase of gasoline, no sales tax is due. *This assumes that the same grade of gasoline may be purchased for the same price without obtaining the car wash.*
- If a car wash may be obtained for a discounted sales price with the purchase of gasoline, the discounted sales price for the car wash is subject to tax.

Example 3: Service Station sells gasoline and drive-through car wash services. Service Station charges \$6 for a basic car wash, but charges \$4 for the same basic car wash with a 10-gallon minimum purchase of gasoline. The discounted sales price of \$4 is subject to sales tax.

Example 4: Service Station sells gasoline and drive-through car wash services. Service Station charges \$5 for a basic car wash, but provides a free basic car wash if the customer fills his or her automobile tank with gasoline. The gasoline price is the same regardless of whether or not the customer elects to have his or her car washed. There is no sales tax due.

Example 5: Service Station sells gasoline and provides drive-through car wash services. A gallon of unleaded gasoline is priced at \$3.50 without a car wash. Service Station sells the same grade of gasoline

and includes a car wash for \$3.75 per gallon with an eight gallon minimum purchase of gasoline. The \$0.25 per gallon difference in gasoline price is allocated to the car wash and is subject to sales tax.

Sales to Exempt Organizations - Sales of taxable products and services are exempt if sold to any of the following:

- Nonprofit organizations holding a Certificate of Exempt Status (CES) issued by the Wisconsin Department of Revenue
- Wisconsin governmental units, agencies, and instrumentalities, including counties, cities, villages, towns and school districts
- United States government and its agencies and instrumentalities
- Native American Tribes or Bands in Wisconsin

The car wash operator must document the exempt sale in one of the following ways:

- Obtaining a purchase order or similar written document from the exempt organization identifying the exempt organization as the purchaser.
- Obtaining a fully completed exemption certificate (Form S-211) from the exempt organization.
- Recording the exempt organization's Certificate of Exempt Status (CES) number on the invoice that the car wash keeps for its records.

Purchases By Car Wash Operators

Taxable Purchases - Most purchases of property used by car wash operators are subject to tax, including purchases of equipment, repair parts and labor, and supplies.

Exception: A car wash operator's purchase of property that is physically transferred to the customer (or the customer's vehicle) when providing a car wash may be purchased without tax, for resale.

Examples of taxable purchases of equipment and supplies by car wash operators include (this list is not all-inclusive):

- Advertising signs
- Brushes
- Claim tickets
- Coin and bill changers
- Coin counters
- Conveyors
- Directional signs (e.g., enter, stop, rinse)
- Drop-dryers and other drying equipment
- Invoices or receipts given to the customer
- Flow meters
- Office supplies
- PH testing strips
- Piping, hoses, and electrical connections which are not part of realty
- Promotional items (e.g., key chains, pens)
- Repair services on machines and equipment
- Reverse osmosis units
- Rinse units
- Safes and security vaults
- Security cameras used to monitor car wash activities
- Soaps, detergents, and other cleaning solutions
- Sprayers
- Testing equipment
- Towel vending machines
- Towels to wipe and dry vehicles (if not physically transferred to customers)
- Uniforms worn by employees
- Uniform laundry services
- Vacuum machines and equipment
- Water heaters
- Water softeners

Exempt Purchases - A car wash operator may purchase without tax, for resale, property that is physically transferred to the customer (or the customer's vehicle) when providing a car wash. Examples of property that may be purchased without tax, for resale include (this list is not all-inclusive):

- Air fresheners
- Protectants that remain with the vehicle
- Wax

Note: If a car wash is provided free with the purchase of gasoline (see *Example 4* above), the car wash operator's purchase of wax, air fresheners, and protectants is taxable. Items that are given away may not be purchased without tax, for resale. However, if the car wash operator offers a promotion where a customer is required to purchase a taxable product in order to receive a free car wash, the car wash operator may still purchase property without tax, for resale, that it physically transfers to the customer.

Example 6: Car Wash offers customers a punch-card which states that upon the purchase of the tenth car wash (i.e., a taxable *product*), the customer may redeem the punch-card for a free car wash. Although Car Wash is providing a free car wash to a customer, Car Wash may still purchase the wax, air freshener, and protectant without tax, for resale, since the customer is required to purchase the 10th car wash (i.e., a taxable product) in order to receive the free car wash.

Coupons, Discounts, Gift Certificates, and Product Vouchers

Coupons - Payments received by a car wash operator from a third-party for coupons that are redeemed by a customer for a “free” taxable item or a reduced price paid for a taxable item, are part of the “sales price” of the taxable item and are subject to Wisconsin sales tax. A car wash operator may charge the customer the sales tax due.

Example 7: Car Wash is a separate entity from National Franchise. Customer brings in a coupon for \$5 off of a car wash, which normally sells for \$12. Car Wash will charge Customer \$7 and will be reimbursed \$5 by National Franchise. Car Wash's taxable receipts are \$12, which is the total amount that it receives for its sale of the car wash (\$7 from Customer and \$5 from National Franchise). Car Wash may collect tax on \$12 from Customer.

If the car wash operator offers a discount coupon to its customer and does not receive a reimbursement for the discounted amount from a third-party, the amount that is taxable is the discounted amount.

Example 8: As a part of its advertising promotion, Car Wash gives potential customers a coupon for \$5 off of a car wash, which normally sells for \$12. Car Wash will charge Customer \$7. Car Wash will not be reimbursed by another party for the \$5. Car Wash's taxable receipts are \$7, which is the total amount it receives for its sale of the car wash. Car Wash may collect tax on \$7 from Customer.

Gift Certificates and Product Vouchers - The sale of a gift certificate or gift card (i.e., certificate or card that indicates a certain amount that the bearer can use as cash) is not subject to Wisconsin sales or use tax. When the gift certificate is redeemed, the applicable sales tax will be computed by the car wash operator at the time of redemption.

Example 9: Car Wash sells a \$25 gift card that can be used as cash to Customer, who gives the gift card as a gift. Car Wash's sale to Customer of the gift card is not taxable, since it is the sale of an intangible right to use the \$25 value at a later date. When Gift Card Recipient redeems \$10 of the gift card as cash for a car wash, Car Wash's sale of the car wash for \$10 is subject to tax. Car Wash may collect the tax from Gift Card Recipient.

If the certificate is redeemable for a specific item, rather than being a certificate that can be used as cash, the sale of the certificate (i.e., product voucher) is considered the sale of the specific item and is subject to Wisconsin sales or use tax. The certificate/product voucher merely represents a receipt showing payment for that item.

Example 10: Car Wash sells a product voucher for \$10 that may be redeemed for one deluxe car wash to Customer, who gives the product voucher as a gift. Car Wash's \$10 sale to Customer of the product voucher is taxable. No additional tax is due when the product voucher is redeemed by Product Voucher Recipient.

The sale of a booklet of product vouchers is also subject to tax.

Example 11: Car Wash sells Customer a booklet with 10 car wash vouchers for \$80 (a 20% discount). Each voucher can be redeemed for one deluxe car wash. Car Wash's sale to Customer of the booklet of product vouchers for \$80 is taxable. No additional tax is due when each product voucher is redeemed.

Discount Cards - The sale of a discount card is not taxable when the discount card allows the purchaser to receive a future discount on car washes.

Example 12: Car Wash sells a discount card for \$20 that allows Customer to receive 20% off of all car washes that Customer purchases for one year. Other customers may purchase car washes at the full price of \$10 without a discount card, but only customers who have purchased a discount card will receive the 20% discount (\$8 for a car wash). Car Wash's sale of the discount card to Customer is not taxable, since it is the sale of an intangible right to obtain a future discount. When Customer presents his or her discount card and receives a car wash for the discounted sales price of \$8, the \$8 sales price is the amount that is taxable.

Any Questions? If you are unable to find an answer to your question about sales and use taxes, email, write, or call the department.

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