



CITY OF THORNTON TAX INFORMATION - CAR WASHES

Sales & Use Tax Division
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Taxability

It is a common misconception that car washes are not taxable because they are a service. Car wash sales that include short-term rental of equipment are taxable under the City of Thornton Code.

How the City Taxes Car Washes

Generally, the price paid for an item is the amount subject to tax. For example, the rental price charged for a carpet shampoo machine is subject to tax and sales tax is added to this price. However, car washes typically involve coin, cash or credit card operated machines or pay at the pump automation. Because tax cannot always be added to the price of the wash, car wash owners are allowed to back the tax out of the gross price charged to arrive at the taxable amount.

Example: The taxable price of a car wash for \$5.00 would be \$4.82: $(\$5.00/1.0375) = \4.82 . The city tax rate of 3.75% is backed out of the price paid.

Types of Car Washes

Any type of car wash that requires use of equipment is subject to Thornton's sales tax. This includes, but is not limited to the following:

- Hand wand/brush washes
- Automated drive through washes, whether or not the customer stays in the car

Regardless of the manner in which the customer pays for the car wash, it is a short-term equipment rental and is therefore taxable.

Charges for labor services that are added before or after the use of the hand held or automated equipment portion of the wash are not taxable, but only if the charges for these labor services are separately stated and easily discernable from the rental portion of the total price paid.

Examples of such non-taxable labor services include the following:

- Hand vacuuming, shampooing, drying
- Hand window washing
- Hand waxing
- Detailing

Charges for hand car washes (labor only) that do not use any equipment are not subject to sales tax. When the wash includes both use of equipment and labor, there must be records detailing the breakdown between labor and rental charges. If there are no such records, the entire price charged for the wash is subject to sales tax.

Supplies

Car wash operators purchase a variety of supplies like soaps and waxes that are used during the car washing process. Supplies that are dispensed through equipment as part of a hand held or automated equipment wash are considered an integral part of the wash. Because the price paid by the customer is subject to sales tax, these supplies are not taxable at the time of purchase by the owner/operator.

Other supplies, such as shampoos, cleaning fluids, air fresheners and waxes that are hand applied by car wash employees are not considered part of the cost of the equipment rental. Therefore, tax must be paid on these supplies as follows:

- If the car wash customer is charged separately for these supplies, the owner or operator must charge sales tax on top of the price of these items.
- If there is not a separately stated charge to the customer for these supplies, the car wash owner must pay city sales tax on the price paid at the time of initial purchase. If city sales tax is not charged on the supplier's invoice, the owner must pay use tax directly to the City on the purchase price of these items.

General supplies such as rags, buckets and cleaning tools used by the car wash owner are taxable at the point of original purchase. Use tax must be remitted on these supplies if the city sales tax is not charged at the time of purchase.

Car Wash Equipment

Car wash owners purchase wand, brush or automated drive through equipment with the intent of renting this equipment to customers for a price. As discussed above, sales tax is required to be paid to the City on these car wash sales. Because the equipment purchased by the owner is to be rented for a price, the owner is not required to pay sales tax on the price of this equipment when it is purchased.

Example: XYZ Superwash, Inc. builds a new car wash, including a small retail store and waiting area with an attached bay that houses fully automated "touchless" car washing equipment. The price of the car wash equipment is not subject to Thornton's sales/use tax. The price of the materials that become a permanent part of the building (overhead doors, etc.) are subject to building use tax. For more information regarding building use tax, please refer to Thornton's tax information brochure titled "Construction Industry."

Associated equipment that is not part of the car wash equipment that is rented to customers is subject to sales or use tax when it is purchased by the owner of the car wash. This type of equipment includes pay kiosks, garage doors and software.

TAXPAYER ASSISTANCE

The City of Thornton provides the following resources to answer your tax questions:

1. Thornton Municipal Code – This document establishes the tax laws of the City. This document is available on the website www.cityofthornton.net or you may request a copy by contacting the Sales Tax Division.
2. Determinations – Upon written request, the Finance Director will provide a determination on how City taxes apply in specific circumstances.
3. City Personnel – Staff are available Monday through Friday, 8:00 a.m. to 5:00 p.m.

either by phone or in person. It is recommended that you call in advance to ensure a tax representative will be available for assistance. The phone number is 303-538-7400.

4. Free Workshops - Thornton's Tax Staff offer free Sales & Use Tax workshops periodically throughout the year. Please contact the Sales Tax Division at 303-538-7400 to find out when the next workshop will be offered.

Disclaimer: Nothing herein is intended to supersede, replace or constitute an addition to any provisions of the City's Sales and Use Tax Code. The information provided is intended to be a general overview. Because commercial situations vary and this guide cannot contemplate all such variations, any questions regarding taxability in a particular circumstance should be directed to the City's Finance Department.