



Sales Tax Interpretation 11-03

Clarification of Resale Tax Exemptions

Per the City and Borough of Sitka General Code 4.09.100 Exemptions...

P. Resale. The sale for resale of a product, service, or rental to a consumer where the resale is subject to tax is exempt.

Questions have arisen as to whether the sale of products consumed during the provision of a service can be considered to be a resale of that product and exempt from the levying of sales tax.

An example would be a commercial painter, who purchases paint, tape, brushes, and drop cloths in order to accomplish the painting service. The items are then either consumed or transferred during the provision of the service. In the case of the painter, the paint is transferred onto the structure being painted; the tape, brushes, and drop clothes are consumed.

Sales such as the one in the example are mixed sales; in which the vendor is both providing a service and selling (transferring) tangible personal property (in the example above, paint).

It is, therefore, the City and Borough of Sitka's determination that tangible personal property which is wholly, or partially consumed during the provision of a service is not considered a resale of a product, even if it is itemized separately on the final retail invoice to the end customer. Tangible personal property which is transformed or transferred during the provision of a service is considered the resale of a product; such tangible personal property, however, must constitute a substantial portion of the overall cost of the service and can't be incidental.

The key interpretation here concerns the whole, or partial, consumption of tangible personal property versus transformation. The personal property must be transformed into a new and visible form during the service and must be substantial in order to be considered a resale.

Examples of transformation that would be considered resale:

- paint applied during commercial painting services.
- rock incorporated into rock walls

Examples of whole or partial consumption that would not be considered resale:

- paint brushes consumed in commercial painting services
- sand used in sand blasting
- welding gas used in welding services
- complimentary amenities such as snacks/meals provided by hotels, charters, tours, etc.

Examples of transformation considered insubstantial:

- paper transformed into tax returns by an tax preparer

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