



**February 11, 2003 (Reissued February 12, 2008)
Pennsylvania Sales and Use Tax
No. SUT-03-006**

**Inclusion in Taxable Lease Payment of Charges for Related Equipment, Fuel,
Damages, Damage Waivers, Citations, Permits and Cleaning**

ISSUES AND CONCLUSIONS

1. Is Truck Leasing Company required to collect Pennsylvania Sales Tax on charges for furniture pads, utility dollies and fuel if the charges are separately stated on the rental invoice from other charges? Would the answer be different if the charges for the furniture pads and utility dollies were listed on an invoice separate from the rental charges?

Truck Leasing Company is required to collect Pennsylvania Sales Tax on charges for furniture pads and utility dollies, regardless if these charges are listed on the same invoice as the fee for the truck rental. Truck Leasing Company's fee for fuel is not subject to sales tax.

2. The customer rental agreement states that the customer will reimburse the rental company for damages caused to the vehicle while it is being rented. An LDW is an agreement between the customer and the rental company in which the rental company agrees to waive its right to collect financial damages from the customer should the truck be damaged while being rented. Is the fee charged for an LDW taxable if the charge is separately stated on the customer's rental invoice?

The fee charged for an LDW is taxable.

3. A customer that purchases an LDW may have a clause in the agreement limiting his/her liability should the truck be damaged while under rental. The clause limiting the customer's liability is much like a deductible in an automobile insurance policy. If Truck Leasing Company were to have the vehicle repaired, is the "deductible" paid by the customer to Truck Leasing Company taxable? Is the "deductible" paid by the rental customer considered to be insurance and exempt from Pennsylvania Sales Tax? Is the "deductible" paid by the customer exempt from Pennsylvania Sales Tax under the resale exemption because the vehicle will be rented to customers by Truck Leasing Company?

If Truck Leasing Company were to have the vehicle repaired, the "deductible" paid by the customer to Truck Leasing Company is taxable.

4. On occasion, a customer renting a hand truck or furniture pad may not return the property to the rental company. The rental company will bill its customer for the cost of the equipment. Is the recovery charge billed to the customer taxable if it's itemized on the invoice?

A recovery charge billed to the customer is taxable.

5. From time to time, while being rented to them, a customer may damage a vehicle that is not covered by a loss damage waiver and be responsible for damages. If Truck Leasing Company were to bill its customer for the damages, are the charges taxable if they are separately stated on the rental invoice?

If Truck Leasing Company were to bill its customer for the damages, the charges are taxable.

6. From time to time, a citation may be issued on a vehicle that is owned by the Truck Leasing Company but under rental to the customer. As the registered owner of the truck, Truck Leasing Company is responsible for paying all citations issued for violation of highway vehicle weight requirements. If Truck Leasing Company were to bill the customer for reimbursement of the fine, is the charge taxable if it is separately stated on the rental invoice?

If Truck Leasing Company were to bill the customer for reimbursement of the fine, the charge is taxable.

7. On occasion, due to road weight limits, a truck rental customer may need a permit from the government to drive a truck on the public highway. The truck rental company will pay for the permit and bill its customer for reimbursement. Is the charge for reimbursement taxable if the amount is separately stated on the customer's rental invoice from other charges?

The charge for a permit reimbursement is taxable.

8. From time to time, a customer will return a truck in such condition that it is in need of a thorough cleaning. Truck Leasing Company will bill its rental customer the charge for cleaning the vehicle and returning it to suitable condition. Are truck cleaning charges billed to rental customers taxable if they are separately stated on the customer's rental invoice?

Truck cleaning charges billed to rental customers are taxable.

FACTS

Truck Leasing Company is engaged in the business of renting trucks. The trucks weigh as little as 10,000 pounds gross volume weight and as heavy as 60,000 pounds gross volume weight. Rental periods are generally less than 7 consecutive days but can last beyond 30 days. The trucks are rented to both household and commercial customers. Household customers generally rent trucks to transport personal items, while commercial customers rent trucks to deliver inventory.

Customers renting trucks can purchase, at their option, personal accident insurance ("PAI") and a loss damage waiver ("LDW"). PAI protects the customer against personal liability should they be in an accident. LDW limits a customer's liability to Truck Leasing Company should they damage a truck while it is being rented. Customers can also rent, along with the truck, furniture pads and utility dollies. In addition, a customer may be charged for fuel

if the truck is returned with less than a full tank of gasoline. All charges are separately stated on the customer's rental invoice.

Truck Leasing Company claims the resale exemption upon the purchase, the registration and the titling of vehicles in Pennsylvania.

DISCUSSION

Please be advised that Pennsylvania's Tax Reform Code ("Code") imposes a sales tax of six percent of the purchase price on each separate sale at retail, including rentals, of tangible personal property or taxable services within Pennsylvania. 72 P.S. § 7202(a). As furniture pads and utility dollies are items of tangible personal property, sales tax is imposed on the fee charged for their rental, regardless of whether they are invoiced with or separately from the rental of the truck. As the sale of a 'loss damage waiver' for a vehicle ultimately covers the repair of tangible personal property, its sale also is subject to tax. If the customer is billed a deductible or any other charge for tangible personal property or its repair, this charge is subject to tax, too.

Department regulation states that separate sales of gasoline by a lessor to a lessee are not subject to tax. 61 Pa. Code § 47.17(b)(ii). Sales tax is not imposed if the sales invoice separately states the number of gallons of gasoline transferred and either the charge per gallon or the total charges made for gasoline. Id. Therefore, the fee the Truck Leasing Company charges its customers to reimburse it for purchased fuel is not subject to tax.

As a recovery charge for an unreturned item is in essence charged as a purchase price for the item, the recovery charge is subject to sales tax. 72 P.S. § 7202(a).

As the fee charged to repair or clean a rented truck is the charge for the repair or cleaning of tangible personal property, Department regulation provides that these charges also are subject to sales tax. 61 Pa. Code § 31.5(a)(1).

According to Department regulation, the reimbursement for expenses paid by a vendor, such as a violation citation or permit charge, is included in the taxable purchase of tangible personal property. 61 Pa. Code § 33.2(a)(6). Therefore, sales tax is imposed on these charges.