MANUFACTURER'S WARRANTY

A manufacturer's initial warranty generally includes a provision to replace defective parts in the property under warranty. Typically, repairs are performed by authorized dealers with parts being taken from the dealer's inventory, then replaced by the manufacturer.

Parts replaced under a manufacturer's initial warranty with no charges made to the customer or a third party are considered to have been included in the purchase price of the property. No new sales or use transaction has occurred and no additional tax is due.

Parts replaced under an optional extended warranty or maintenance agreement are subject to sales/use tax because they are not considered to have been included in the initial purchase price of the property.

RELATED TAX GUIDE TOPIC
    Maintenance Agreements

* DRMC Section 53-24(21). Definitions.
* DRMC Section 53-25. Imposition of tax.
* DRMC Section 53-95(26). Definitions.
* DRMC Section 53-96. Imposition of tax.