



North Carolina Department of Revenue

Roy Cooper
Governor

Ronald G. Penny
Secretary

November 6, 2020

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Re: [REDACTED]
Account ID: [REDACTED]

Dear [REDACTED]:

The Department has completed its review of your request for a private letter ruling on behalf of your client [REDACTED] ("Taxpayer"). In making this written determination, the Department has considered the facts presented in your initial request.

This private letter ruling is a written determination issued under N.C. Gen. Stat. § 105-264.2 and applies the tax law to a specific set of existing facts furnished by you on behalf of Taxpayer. This written determination is applicable only to the taxpayer addressed herein and as such has no precedential value except to the taxpayer to whom the determination is issued.

Overview and Relevant Facts

You advise "[Taxpayer] is an [REDACTED] express car wash operating multiple automatic express tunnel car wash locations throughout North Carolina.

"All of [Taxpayer's] North Carolina locations provide automatic express tunnel car washes. Once a customer enters a [Taxpayer's] location, the customer approaches an automated pay station where he or she selects the level of car wash and prepays for the car wash. If a customer needs assistance with selecting a car wash level or payment . . . [Taxpayer's] employee is available for assistance, but the [Taxpayer's] employee does not generally receive payment for the car wash. Payment for the car wash is handled at the automated pay station. While [Taxpayer] has different level car washes that differ based upon the products applied during the wash, the level of involvement by [Taxpayer's] employees does not vary between each level of car wash.

"Once the customer has selected the car wash level and paid for the car wash, he or she will proceed to the tunnel car wash. [Taxpayer's] employees do not generally place protective tape or covers on the vehicle prior to cleaning. Prior to entering the car wash, a [Taxpayer's] employee will use a handheld sprayer and apply chemicals, a pre-wash prep treatment called bug prep, on the car, specifically the front grill (*sic*) and windshield. The pre-wash prep helps to break down the dirt on vehicles to improve the performance of the automated car wash. The model and brand of sprayer used to apply the pre-wash prep may vary by North Carolina location, but the

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specifications are generally similar. The sprayers are connected to a pump which will spray out larger volumes of water at a lower pressure, generally between 600 psi and 800 psi.

“Once the pre-wash chemicals have been applied, the [Taxpayer’s] employee will guide the vehicle into the entrance of the car wash. Vehicles then move through the car wash by means of automated conveyor track, and while in transit, automated equipment cleans the car’s exterior by mechanical means only. At all times during the automatic express tunnel car wash, the customer remains inside his or her vehicle. No employees are a part of the ‘in tunnel’ wash / rinse / dry process. No employee physically touches the vehicle for the purpose of cleaning or restoring the vehicle or enters or cleans any part of the interior of the vehicle. Finally, after exiting the automated tunnel car wash, the customer can vacuum his or her car using a self-service vacuum in a separate area. [Taxpayer’s] employees do not vacuum customers’ vehicles.”

Issue

Is the type of car wash provided by Taxpayer a limited-service vehicle wash exempt from North Carolina sales and use tax pursuant to N.C. Gen. Stat. § 105-164.13(61a)(k)?

Applicable Statutes and References

Under Article 5 (“Article”) of the North Carolina Revenue Act (“Act”)¹, N.C. Gen. Stat. § 105-164.1 *et. seq.*; Subchapter VIII, Local Government Sales and Use Tax, and Chapter 1096 of the 1967 Session Laws, State, local, and applicable transit sales and use taxes are imposed on a retailer engaged in business in the State on the retailer’s net taxable sales or gross receipts of tangible personal property, certain digital property, and certain services at the applicable State, applicable local, and applicable transit rates of sales and use tax.

N.C. Gen. Stat. § 105-164.4(a) imposes a privilege tax on a retailer engaged in business in this State on the sales price of or gross receipts derived from repair, maintenance, and installation services.

N.C. Gen. Stat. § 105-164.3(191) defines “repair, maintenance, and installation services,” in part, as “[t]he term includes the activities listed in this subdivision and applies to . . . motor vehicles. . . . The included activities are:

- a. To keep or attempt to keep . . . a motor vehicle in working order to avoid breakdown and prevent deterioration or repairs. Examples include to clean, wash, or polish.”

N.C. Gen. Stat. § 105-164.13(61a)(k) exempts from sales and use tax a limited-service vehicle wash. N.C. Gen. Stat. § 105-164.13(61a)(k)(1) defines the term “limited-service vehicle wash” as “[t]he cleaning of a vehicle by mechanical means where the only activities performed by an employee include one or more of the following: (i) receiving payment for the transaction, (ii) guiding the vehicle into the entrance or exit of a conveyor, (iii) applying low-pressure spray of chemicals to the vehicle prior to the cleaning of the vehicle, or (iv) placing protective tape or covers on the vehicle prior to cleaning. The term does not include any activity whereby an employee physically touches the vehicle for the purpose of cleaning or restoring the vehicle, enters or cleans any part of the interior of the vehicle, or performs an activity on the vehicle other than one of those listed in this sub-sub-subdivision.”

¹ References to the Act and North Carolina General Statutes are based on the laws in effect as of the date of issuance of this private letter ruling except as otherwise noted herein.

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Ruling

Based on the information furnished, the type of car wash provided by Taxpayer is a limited-service vehicle wash as defined in N.C. Gen. Stat. § 105-164.13(61a)(k)(1). Pursuant to N.C. Gen. Stat. § 105-164.13(61a)(k), the gross receipts derived from the limited-service vehicle wash by Taxpayer are exempt from sales and use tax.

This ruling is based solely on the facts submitted to the Department of Revenue for consideration of the transactions described. If the facts and circumstances given are not accurate, or if they change, then Taxpayer may not rely on it. If Taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of Taxpayer is different in any material aspect from the facts and circumstances given in this ruling, then the ruling will not afford Taxpayer any protection. It should be noted that this document is not to be cited as precedent and that a change in statute, a regulation, or case law could void this ruling.

Issued on behalf of the Secretary of Revenue
By the Sales and Use Tax Division