

**ALABAMA DEPARTMENT OF REVENUE - SALES AND USE TAX RULES**  
**Code of Alabama 1975, Sections 40-23-31 and 40-23-83**

**810-6-1-.90. Machine Shops.**

(1) Sales of property manufactured or fabricated by machine shops and custom foundries are subject to sales or use tax, except when the sale is for resale or otherwise specifically exempted.

(2) In doing repair work, the machine shop operator consumes materials such as paint, solder, babbitt, and lumber which lose their identity in the repairing process. The machine shop operator is also considered to be the consumer of items such as cotter keys, nails, washers, stove bolts and nuts, bits of metal, and sheets of metal used in patching, mending, or reinforcing weakened parts. The machine shop operator shall not collect sales or use tax from the customer on amounts billed to the customer for the cost of these materials which the operator consumes in performing repair work; instead, the operator shall remit sales or use tax to the supplier at the time of the operator's purchase of the materials.

(3) Where in making repairs the machine shop operator fabricates or manufactures a recognizable part or attachment for the article being repaired (as contrasted to patching, mending, or reinforcing weakened parts), the operator shall bill the parts or attachments separately and collect sales or use tax only on the sales price of the part or attachment. If the machine shop operator fails to separately state the charges for parts and attachments and the charges for services, the operator shall collect sales or use tax on the total amount of the charges billed to the customer. Under no circumstances, however, shall the machine shop operator deduct labor or other costs which go into the fabrication or manufacture of a recognizable part or attachment from the selling price of the part or attachment. (Sections 40-23-1(a)(6) and 40-23-60(10), Code of Alabama 1975) (Readopted through APA effective October 1, 1982, amended July 30, 1998)