

Title 26. Taxation

Chapter I. Generally, Department of Finance and Administration

Subchapter F. Miscellaneous Taxes

Part 171. Automatic Car Wash, Car Wash Tunnels, and Self-Service Bays

Codification Notes. This part as promulgated prior to codification into the Code of Arkansas Rules provided as follows:

"Source: Arkansas Code Annotated § 26-52-301(3)(B)(i)(a) (Supp. 2019), § 26-52-401(41)(A) (Supp. 2019), § 26-57-1601 through-1605 (Supp. 2019)."

"Date: August 19, 2020"

Subpart 1. Generally

26 CAR § 171-101. Definitions.

As used in this part:

(1)(A) "Ancillary service" means a service provided by a car wash operator in conjunction with the sale of a service through an automatic car wash, a car wash tunnel, or a self-service bay that involves the cleaning of interior or exterior, or both, of a motor vehicle.

(B) "Ancillary service" includes without limitation:

- (i) Hand prepping any portion of a motor vehicle;
- (ii) Vacuuming;
- (iii) Hand drying any portion of a motor vehicle;
- (iv) Waxing any portion of a motor vehicle;
- (v) Hand cleaning any portion of a motor vehicle; and
- (vi) Applying a protective or shine coat to any portion of a motor

vehicle;

(2) "Automatic car wash" means a car wash bay that provides a full automated

car wash using mechanical equipment that cleans the motor vehicle while the motor vehicle remains stationary;

(3) "Car wash operator" means a person that operates:

(A) One (1) or more:

- (i) Automatic car washes;
- (ii) Car wash tunnels; or
- (iii) Self-service bays; or

(B) Any combination of:

- (i) Automatic car washes;
- (ii) Car wash tunnels; and
- (iii) Self-service bays;

(4) "Car wash tunnel" means a car wash bay that provides a fully automated car wash in which the motor vehicle is moved through a tunnel by a conveyor system;

(5) "Public water system" means a water system subject to regulation under the Safe Drinking Water Act, 42 U.S.C. § 300f, as existing on January 1, 2019, which is owned by a municipal corporation, a governmental corporation, or a nonprofit corporation, including without limitation:

- (A) A municipality;
- (B) A public facilities board;
- (C) A public water authority;
- (D) A water association;
- (E) A regional water distribution district;
- (F) A rural development authority;
- (G) A sanitation authority;
- (H) An improvement district;
- (I) A regional wastewater treatment district; or
- (J) A consolidated waterworks; and

(6) "Self-service bay" means a car wash bay that allows a person to manually wash a motor vehicle using equipment and supplies provided by the car wash operator.

Authority. Arkansas Code §§ 26-52-105, 26-57-1605.

26 CAR § 171-102. Sales by car wash operators.

(a) Sales of tangible personal property, specified digital products, or a digital code by a car wash operator for use in an automatic car wash, a car wash tunnel, or a self-service bay or as part of an ancillary service that involves the cleaning of the interior or exterior, or both, of a motor vehicle is exempt from gross receipts and compensating use tax.

Example 1: The sale of the following items of tangible personal property by a car wash operator for use in an automatic car wash, a car wash tunnel, or a self-service bay are exempt: vehicle polish, tire shine, cleaning wipes, window cleaner, wheel cleaner, fabric cleaner, leather cleaner, paper towels, sponges, and drying towels.

Example 2: The sale of the following items of tangible personal property by a car wash operator are taxable: auto parts and accessories, tires, audio and video components or systems, radiator fluid, transmission fluid, power steering fluid, brake fluid, washer fluid, and motor oil.

(b) Sales of ancillary services that involve the cleaning of the interior or exterior, or both, of a motor vehicle by a car wash operator are exempt from gross receipts and compensating use tax.

Example 1: The sale of the service of vacuuming out a vehicle, when sold in connection with a car wash through an automatic car wash, a car wash tunnel, or a self-service bay and by a car wash operator, is not taxable.

Example 2: The sale of an oil change service, tire change service, repair service, or maintenance service, even when sold in connection with a sale of a

car wash through an automatic car wash, a car wash tunnel, or a self-service bay and by a car wash operator, is taxable.

Authority. Arkansas Code §§ 26-52-105, 26-57-1605.

26 CAR § 171-103. Sales to car wash operators.

(a) Sales of tangible personal property, specified digital products, or a digital code to a car wash operator for use in an automatic car wash, a car wash tunnel, or a self-service bay or as part of an ancillary service are exempt from gross receipts and compensating use tax.

(b) Sales of services to car wash operators are exempt from gross receipts and compensating use tax.

(c) Examples of sales exempt from gross receipts and compensating use tax under this part include but are not limited to:

(1) Car washing machinery and equipment installed in the:

- (A) Car wash tunnel;
- (B) Automatic car wash; or
- (C) Self-service bay;

(2) Car washing chemicals, including without limitation soap, detergent, wax, polish, and tire shine, used in the:

- (A) Car wash tunnel;
- (B) Automatic car wash; or
- (C) Self-service bay; and

(3) Water and electricity used in the:

- (A) Car wash tunnel;
- (B) Automatic car wash; or
- (C) Self-service bay.

Authority. Arkansas Code § 26-52-105.

26 CAR § 171-104. Water usage fee.

(a)(1) In lieu of remitting gross receipts or compensating use tax on the transactions identified in 26 CAR §§ 171-102 and 171-103, a car wash operator shall remit a fee based upon water usage to the Department of Finance and Administration by the twentieth day of each month.

(2) **Car wash tunnels.** The monthly fee due shall be calculated as follows:

(A) Multiply by eight-tenths (0.8) the total aggregate number of gallons of water the car wash operator used during the preceding month for all of the car wash operator's car wash tunnels; and

(B) Multiply by four-tenths of one cent (0.4¢).

(3) **Automatic car wash.** The monthly fee due shall be calculated as follows:

(A) Multiply by eight-tenths (0.8) the total aggregate number of gallons of water the car wash operator used during the preceding month for all of the car wash operator's automatic car washes; and

(B) Multiply by two-tenths of one cent (0.2¢).

(b) The most accurate way to calculate the water usage fee is for car wash tunnels and automatic car washes to have dedicated water meters that measure the total aggregate number of gallons of water the car wash operator used during the preceding month for all of the car wash operator's car wash tunnels and automatic car washes.

Authority. Arkansas Code §§ 26-52-105, 26-57-1603, 26-57-1605.

26 CAR § 171-105. Registration requirements.

(a) A car wash operator that is required to pay the car wash fee under Arkansas Code § 26-57-1603 shall register electronically with the Department of Finance and Administration before an automatic car wash or a car wash tunnel is made available for commercial use.

(b) The monthly fee shall be reported and remitted electronically on the form provided by the department for that purpose.

Authority. Arkansas Code §§ 26-52-105, 26-57-1605.

26 CAR § 171-106. Bundled transaction.

(a) If any tangible personal property or service exempted by this part is sold in conjunction with the sale of taxable tangible personal property or services for a nonitemized price, the bundled transaction rule will apply.

(b) See Arkansas Code § 26-52-103 and Arkansas Gross Receipts Rule, 26 CAR § 30-1226.

Authority. Arkansas Code §§ 26-52-105, 26-57-1605.