



Warranties

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Wyoming Department of Revenue

Per Black's Law Dictionary, Eighth Edition (2004), the term warranty is defined to represent an expressed or implied promise that the item is free of defects and is fit for its intended purpose. A warranty agreement then represents an agreement between a consumer and the warranty provider that should the item fail certain remedies will be made pursuant to the agreement.

Wyoming recognizes two types of warranties, standard and extended. A standard warranty is generally offered by the manufacturer or vendor to the customer directly as part of the sales price of the product. In contrast, an extended warranty or service contract is an additional warranty, sold for an additional and optional price, to cover repair costs not otherwise covered by a manufacturer's standard warranty or that extends the timeframe beyond the manufacturer's standard warranty period. [WY Dept of Rev Rules, Chap 2, Sec 13(nn)] For example, the 30-day warranty that is automatically provided by a manufacturer on the purchase of consumer electronics would be indicative of a standard warranty; but the additional charge to upgrade that to a 180-day warranty would be an extended warranty. The tax treatment for standard and extended warranties differs.

Standard Warranties

A standard warranty is subject to Wyoming sales tax at the time of purchase. Although not required, commonly the cost of this warranty is embedded in the sales price of

the product. Then at the time a service is rendered there is no tax obligation to either the warranty provider or consumer receiving the service.

Extended Warranties

On the other hand an extended warranty is not subject to Wyoming sales tax at the time it is purchased. The sale of the extended warranty is a separate transaction from the sales/lease price of the tangible personal property. But in order to document this apart from the taxable sales price of the product being warranted, it is necessary to separately state and make distinguishable this charge from other taxable charges on the invoice. Then when the service is rendered the tax obligation is realized by the parties, with the consumer being liable for the tax on repair services not covered by the agreement and the provider being liable for the tax on covered repair services. In the event there is a shared cost (i.e. a deductible or parts covered but labor not covered, etc.) then the consumer is responsible for tax on the deductible/uncovered amount with the provider being responsible for the remainder.

Other Warranties/Agreements

We wish to point out that on occasion we have reviewed agreements that contain provisions that extend beyond a warranty agreement. For example in addition to warranting an item free from defects the provider agrees to provide other

consumables along with the agreement. For example a consumer electronics retailer may provide toner and paper with the purchase of an extended warranty on a commercial printer or an automobile dealership may agree to provide tire rotation and oil changes as part of the extended warranty agreement. Although these provisions are couched as part of the agreement, they do have a tax obligation as either the sale of tangible personal property or as a taxable service. [W.S. 39-15-103(a)(i)(A),(J)] When they are provided as a separate cost from the price of the extended warranty agreement, only the cost of these items is directly taxable. But when they are not separately stated and distinguishable they force the entire cost of the extended warranty agreement to be subject to tax. [WY Dept of Rev Rules, Chap 2, Sec 7(a)] To illustrate, if the automotive dealership offers tire rotation and oil changes for \$500 and the extended warranty for \$1,500 then only the \$500 would be taxable to the consumer. But if the dealership offers an extended warranty to include tire rotation and oil changes along with the guarantee of fitness for \$2,000 (without itemization) the entire \$2,000 charge would be subject to tax.

Furthermore, including the provision that maintenance services will be provided by a specified party and/or entering into an agreement to fix a price for future maintenance or repairs is also beyond the scope of an extended warranty. It does not guarantee that the equipment is free of defect; rather a provision such as this in an extended warranty agreement only fixes the hourly charge that the service provider will apply to their invoices for repair/maintenance services on the equipment when services are rendered. Services then performed and charged to the consumer, even at the agreed upon rate, are subject to Wyoming sales tax.

Please be advised that this bulletin addresses issues in general terms and cannot be appropriate or applicable in all situations. If your situation is markedly different or you have concerns about this issue, please do not hesitate to contact this department. You can do so by e-mail directed to:
DOR_taxability@wyo.gov

Supporting Authority -

W.S. 39-15-103(a)(i)(A)

Except as provided by W.S. 39-15-105, there is levied an excise tax upon:

The sales price of every retail sale of tangible personal property within the state;

W.S. 39-15-103(a)(i)(J) there is levied an excise tax upon:

The sales price paid for services performed for the repair, alteration or improvement of tangible personal property;

WY Dept of Rev Rules, Chap 2, Sec 7(a)

General. Non-taxable transactions, including sales made for resale, shall be shown separately from taxable charges on sales invoices. The entire invoice amount shall be subject to the sales/use tax if the nontaxable or exempt charges are not separately shown and distinguishable from taxable charges.

WY Dept. of Rev. Rules, Chap. 2, Sec. 13(nn)

Warranties.

(i) Standard or mandatory warranties and maintenance contracts provided with the purchase of tangible personal property by the manufacturer or vendor shall be included in the sales price of the tangible personal property.

(A) Repairs, alterations, or improvements performed

upon tangible personal property under a standard warranty shall not be subject to the sales tax.

(ii) Extended warranties, service and maintenance contracts or similar agreements which are sold for an additional and separate cost and provide additional services or extend the timeframe of service coverage shall not be subject to the sales tax.

(A) Repairs, alterations, or improvements performed upon tangible personal property under an extended warranty, service contract, or similar agreement shall be subject to the sales tax.

(I) The consumer shall be liable for the tax on repair services not covered by the agreement. The issuer of the agreement shall be liable for the sales tax on the repair charges covered by the extended warranty.

(iii) For the purpose of this section a “computer software maintenance contract” is a contract that obligates a vendor of computer software to provide a customer with future updates or upgrades to computer software, support services with respect to computer software or both.