February 15, 2005
Office of the Commissioner of the Revenue, Chesterfield County

Business License Guidelines for Automobile Dealers

Retail Merchant -- Based on gross receipts for the following:

1. **New & used vehicles sold at retail (less trade-in allowance).**
2. **Finance and insurance income (net of charge-backs).** *[Except, insurance income is exempt if dealer is a state-licensed insurance agent.]*
3. **Documentation fees ("Doc fees").**
4. **Parts sold at retail counter (not used in repairs).**
5. **Sales of warranties or service contracts.**
6. **Dealer Incentives (*not* including floor plan assistance or advertising rebates), including "CSI: Customer Service Index," sales incentives, and other incentives derived from the licensable activity.** *[Note that dealer incentives are included as "gross receipts," whether recognized on the general ledger as income or as credits to a cost account. Any moneys or other consideration received from the exercise of the licensable activity must be included in gross receipts. This follows definitions of "gross receipts" in the* Code of Virginia, *§ 58.1-3800.1,* et seq.*, and in the Department of Taxation's* 2000 BPOL Guidelines*, §§ 1 & 2.4,* et seq.*]*
7. **Tires sold separately from repair services (only if regularly sold independent of repair orders, otherwise included in repair service license) – this is RARE.**

Wholesale -- Based on *purchase cost of sold merchandise*. (Subject to a $20,000 tax cap.)

1. **Fleet sales (sales at wholesale to institutional, commercial, and industrial users).**
2. **Sales of vehicles (usually trade-ins) to other dealers or businesses (excluding dealer exchanges) at wholesale.**
3. **Parts sold at wholesale.**

Repair Service -- Based on gross receipts for the following:

1. **Labor- customer repair orders.**
2. **Labor- factory warranty.**
3. **Sublet repairs.**
4. **Parts & materials sold in connection with customer repair orders, warranty claims and service contracts (Chesterfield Co. Code § 6.6).**
5. **Parts & materials included in work performed by the body shop.**
6. **Gas, oil, grease, and tires (except as number 8 in retail above).**

Professional Service -- (very rare)
This license is required ONLY if a dealer finances the sale himself and holds and services the contract. The license fee basis is the total of the interest charges and fees collected.

The following items are *not* taxed:
1. **Trade-in allowance. Va. Code § 58.1-3734.1 (Deduction from sales.)**
2. **Dealer exchanges (DX) & holdbacks.**
3. **Internal sales.**
4. **Insurance income-Credit Life- § 58.1-2508 -- exempt ONLY for properly licensed agents; taxable if not state-licensed agents.** *[Warranty contracts and service contracts are not insurance.]*
5. **Factory holdbacks.**
6. **Returns and allowances.**
7. **Advertising rebates and floor plan assistance.**