

## IRS Rulings & Other Documents (2001-Earlier), Rev. Rul. 81-232, 1981-2 CB 231, (Jan. 1, 1981)

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### Section 6041.--Information at Source

26 CFR 1.6041-3: Payments for which no return of information is required under section 6041.

#### [IRS Headnote] Information returns; automobile repairs.--

An insurance company made a payment to an unincorporated repair shop for repair of an insured automobile. The repair contract required payment of \$300 for labor and \$700 for parts. No part of the payment is excepted from the reporting requirements of section 6041 of the Code as a payment of a bill for merchandise.

[Text]

#### ISSUE

If a contract for the repair of an automobile is itemized as to parts and labor, is the part of the payment attributable to parts excepted from the reporting requirements of section 6041 of the Internal Revenue Code as payment of a bill for merchandise?

#### FACTS

An insurance company made a payment to an unincorporated repair shop for repair of an insured automobile. The automobile sustained extensive body damage in an accident. The repair contract required payment of \$300 for labor and \$700 for new parts that were installed, including a fender, a grill, a radiator, and a bumper.

The repair shop in question did not hold itself out as a dealer in parts. In dealing with its customers it undertook to perform repair work, supplying suitable parts and materials as needed. The customers did not specify the type or brand of replacement parts to be installed.

#### LAW AND ANALYSIS

Section 6041 of the Code provides that every person engaged in a trade or business shall make an information return for each calendar year with respect to payments made by the person during the calendar year in the course of the person's trade or business to another person of fixed or determinable income aggregating \$600 or more. Section 1.6041-3(c) of the Income Tax Regulations provides that an information return is not required with respect to payment to a corporation.

Section 1.6041-1(c) of the regulations states that income is fixed when it is to be paid in amounts definitely predetermined and that income is determinable whenever there is a basis of calculation by which the amount to be paid may be ascertained.

Section 1.6041-3(d) of the regulations provides that returns of information are not required under section 6041 of the Code with respect to payments of bills for merchandise, telegrams, telephone, freight, storage, and similar charges.

The payment here is made in the course of the payor's trade or business, the amount is fixed and determinable, and the recipient is not a corporation. Therefore the entire payment is reportable, unless that part attributable to replacement parts can be considered the payment of a bill for merchandise.

Although the contract required the furnishing of certain parts, the repair shop did not hold itself out as a dealer in parts, and the customer did not specify the kind of parts to be installed. The obligation to furnish certain parts was incidental to the obligation to repair the car. Therefore payment under the contract was not in any part a payment of a bill for merchandise within the meaning of section 1.6041-3(d) of the regulations.

#### HOLDING

No part of the payment is excepted from the reporting requirements of section 6041 of the Code as a payment of a bill for merchandise.