



INDIANA DEPARTMENT OF REVENUE

April 2004

New Legislation – *Sales Tax*

The 2004 Indiana General Assembly passed several measures regarding the application of sales tax in the State of Indiana. Please review these changes. If more information is needed, please visit the Indiana Department of Revenue's web site at www.IN.gov/dor

Delivery Charges (IC 6-2.5-1-5 and IC 6-2.5-4-1. March 18, 2004)

Effective January 1, 2004, Indiana sales tax was applied to delivery charges regardless of the terms of delivery. The Legislature has now made further clarifications effective March 18, 2004. Delivery charges are now defined in the statute as charges by the seller for preparation and delivery of the property to a location designated by the purchaser of the property, including transportation, shipping, postage, handling, crating, and packing. A transfer of property does not occur until after delivery of the property to the purchaser. See Commissioner's Directive # 21 and # 22 at: www.in.gov/dor/publications/comdir/index.html

Installation Charges (IC 6-2.5-1-5. March 18, 2004)

Installation charges will no longer be subject to sales tax. The installation charges must be separately stated on the invoice, bill of sale or a similar document given to the purchaser to be exempt.

Complimentary Rooms (IC 6-2.5-4-4.5. Effective April 1, 2004)

The statute has been repealed requiring sales tax to be calculated and remitted on complimentary rooms provided by an innkeeper. This means that the **final** report for reporting the sales tax on complimentary rooms, the number of rooms and the applicable rental rate will be due in April for the March transactions. Also effective April 1, 2004, Form RST-CR and Commissioner's Directive #20 will be deleted.

Utility Services / Military Bases (IC 6-2.5-4-5. Effective July 1, 2004)

New legislation creates a sales tax exemption for utility services that are separately metered and provided to a business that expands or relocates its operations to a military base, a military base reuse area, a military base recovery site, or an economic development area in a county where a military base has closed. For more information on Public Utilities, refer to Sales Tax Information Bulletin #51 at: www.in.gov/dor/publications/bulletin/sales/pdf/sib51.pdf

Telecommunication Services (IC 6-2.5-4-6. March 9, 2004)

Indiana law now states if charges for telecommunications services not taxable are aggregated with charges that are taxable, the charges for the nontaxable services are exempt from the sales tax if the provider can reasonably identify the charges not subject to the sales tax from the service provider's books and records kept in the regular course of business. For more information on Telecommunication Services refer to Sales Tax Information Bulletin #51T at: www.in.gov/dor/publications/bulletin/sales/pdf/sib51t.pdf

Satellite TV / Radio Service (IC 6-2.5-4-11. Effective March 1, 2004)

Effective March 1, 2004 Indiana sales tax applies to the provision of satellite TV or radio service that terminates in Indiana. This is in the same manner as cable television. See Sales Tax Information Bulletin # 17 at: www.in.gov/dor/publications/bulletin/sales/pdf/sib17.pdf

Vehicles, Watercraft/Aircraft (IC 6-2.5-5-15. Effective July 1, 2004)

Effective July 1, 2004 Indiana sales tax applies to **all** motor vehicles, trailers, watercraft, or aircraft purchased in Indiana. The Legislature repealed the sales tax exemption previously granted a vehicle, watercraft, or aircraft that was transported immediately outside Indiana and the vehicle, trailer, watercraft, or aircraft is to be titled or registered in another state. If the purchase of a vehicle is exempt from sales tax for some other reason (public transportation usage, (etc)), the exempt use provision would still apply. Look for future changes in Form ST-108 and ST-137.

Bad Debt (IC 6-2.5-6-9. Effective July 1, 2004)

Effective July 1, 2004 a sales tax deduction for a bad debt is assignable only if the retail merchant that paid the sales/use tax liability assigned the right in writing. This amendment applies to retail transactions occurring after June 30, 2004.

Retail Merchant Registration (IC 6-2.5-8-10. Effective July 1, 2004)

A retailer that does not maintain a place of business in Indiana, makes retail transactions from outside Indiana to a destination in Indiana, and is closely related to another person that maintains a place of business in Indiana, must register and collect sales tax for their sales to Indiana customers. Coming soon, a new Commissioner's Directive about retail merchants at: www.in.gov/dor/publications/comdir/index.html

Industry Classification Codes (IC 6-2.5-10.5. Effective January 1, 2005)

The Department of Revenue is to collect and maintain information for all retail merchants concerning the merchant's industry classification codes.

For new information about the above legislation and/or other important tax information go to *Up to the Minute* on the Department's web page at: www.in.gov/dor/minute/index.html