



Automobile Dealers Association of Indiana, Inc.

REGULATORY BULLETIN

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BULLETIN #19

REVIEW & CLARIFICATION OF VALID SALES TAX EXEMPT TRANSACTIONS

Many dealers have contacted ADAI and the Indiana Department of Revenue (IDOR) regarding dealer transactions exempt from sales tax collection. There has been some confusion as to what types of out of state transactions are exempt. In short, any exempt transaction that was listed on the back side of the ST-108E form prior to the July 1, 2004 imposition of sales tax on nonresident purchasers is still exempt. The types of transactions and their exemption codes are as follows:

- Exemption #1 Purchases by *governmental units or their instrumentalities*.
- Exemption #2 Purchases by *Not-for-Profit organizations* operated exclusively for religious, charitable, or educational purposes and using the vehicle for the purpose for which the organization is exempt.
- Exemption #5 Purchases by Registered Retail Merchants *acquiring the vehicles to rent, or lease to others and whose ordinary course of business is to rent or lease vehicles to others*.
- Exemption #6 Purchases to be *exclusively used for hire in public transportation. (Hauling for hire.)*
- Exemption #9 Purchases to be *immediately placed into inventory for resale*. NOTE: Purchaser must provide Indiana dealer with federal identification number and out of state dealer number.

Vehicles delivered outside the state of Indiana are exempt under the federal Interstate Commerce laws no matter where the sale activity occurred. This would include fleet sales to out of state companies who have the vehicles 'drop shipped' to a location outside Indiana. It would also include vehicles purchased from the Indiana dealer, ordered from the manufacturer, and shipped by the manufacturer to the purchaser at a location outside Indiana. The transactions are exempt whether delivered by the dealer or by a common carrier. Interstate Commerce exemptions are not covered by an exemption indicated on the ST-108E. All that is required of the dealer is to keep a copy of the bill of lading, shipping document, or sales documents indicating that the vehicle(s) were delivered outside of Indiana (IDOR Commissioner's Directive #25). *** NOTE: Vehicles delivered to Indiana are subject to Indiana sales tax.

IDOR has added additional information concerning dealer sales tax issues onto their website under the topic "Frequently Asked Questions." You will be able to find this on the dealer hidden website at <http://www.in.gov/dor/business/dealer.html> as well as the public site at <http://www.in.gov/dor>. [On the public site click on "BUSINESSES" then click on "Frequently Asked Questions."]

If you have any questions regarding sales tax issues, please contact the Indiana Department of Revenue Tax Compliance Section at (317) 232-2339.