



Automobile Dealers Association of Indiana, Inc.

REGULATORY BULLETIN

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July 9, 2007

BULLETIN #30

INDIANA DEPARTMENT OF REVENUE RELEASES **INFORMATION BULLETIN ON SALES TAX ON LEASES**

The Indiana Department of Revenue (IDOR) recently issued a new 9-page Information Bulletin replacing information contained in its suspended Information Bulletin #28 dated January 2005 specifically addressing motor vehicle leases. This new bulletin sets out the recommended guidelines dealers are to follow when collecting sales tax on vehicle leases.

Information Bulletin #28L – July 2007 discusses the following topics:

- I. Resident vs. Non-Resident Leases
 - A. Leases with Periodic Payments (Monthly Payments)
 - B. Leases without Periodic Payments (Lump Sum Payments)
- II. Dealer/Lessor Responsibilities
 - Paragraph 2 – Capital Cost Reduction Payments (taxable)
- III. Taxable Lease Amounts
 - Paragraph 1 – Manufacturer Rebates (taxable)
 - Paragraph 2 – Manufacturer Price Reduction (exempt)
 - Paragraph 3 – Dealer Price Discount (exempt)
 - Paragraph 5 – Equity from Like-Kind Exchange (trade-in exempt)
- IV. Taxable Lease Examples
 - A. New Vehicle Lease – Trade-in Titled in Customer Name
 - B. New Vehicle Lease – Trade-in Not Like-Kind
 - C. New Vehicle Lease – Manufacturer Rebate with Exempt Trade-in
 - D. New Vehicle Lease – Trade-in Not Exempt – Lease Buy-Out
 - E. New Vehicle Lease – Manufacturer Rebate/Manufacturer Price Reduction/Dealer Price Discount
 - F. New Vehicle Lease – Lump Sum Payment
- V. Non-Indiana Leases
 - A. Dealer must collect Out-of-State Sales Tax – Lessor should provide rates & exemptions
 - B. Out-of-State Tax Exemptions – Lessor should provide to dealer
- VI. Lessee Purchase at End of Lease (taxable)

If you would like a copy of IDOR's new IB #28L, you may download a copy from ADAI's website at www.adai-inc.org. Just click on "Dept of Revenue Links" on the left-hand side, then "Information Bulletins – Sales Tax" and choose "IB#28L – Leases". You may also download a copy from IDOR's website at www.in.gov/dor/business/dealer.html.

If you have any questions pertaining to IB #28L or would like a copy emailed to you, please contact Cindy Wagner in the ADAI headquarters at 1-800-862-0363 or email cindy@adai-inc.org.