

COMMISSIONER'S DIRECTIVE #27

AUGUST 2011

(Replaces Directive #27 dated July 2005)

DISCLAIMER: Commissioner's directives are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

SUBJECT: Seller Registration, Methods of Remittance, Certified Service Providers, and the Taxability Matrix

REFERENCES: IC 6-2.5-1; IC 6-2.5-6-9; IC 6-2.5-11; IC 6-2.5-12; IC 6-2.5-13; IC 6-2.5-11-10

I. INTRODUCTION

In March 2000, a collection of states joined forces to sponsor a national sales tax initiative—the Streamlined Sales Tax Project (SSTP). The SSTP represents an effort on the part of its member states to “simplify and modernize sales and use tax collection and administration.” To that end, the Streamlined Sales Tax Implementing States (SSTIS) developed the Streamlined Sales and Use Tax Agreement (Agreement). Member states were encouraged to adopt legislation conforming to the Agreement.

II. SELLER REGISTRATION

Under the Agreement, Indiana is a participant in a centralized online sales and use tax registration system in cooperation with the other member states. Under this centralized registration system:

- A. A seller registering under the Agreement is registered in each of the member states.
- B. The member states agree not to require the payment of any registration fees or other charges for a seller to register in a state in which the seller has no legal requirement to register.
- C. A written signature from the seller is not required.
- D. An agent (Certified Service Provider [CSP]) may register a seller under uniform procedures adopted by the member states.
- E. A seller may cancel its registration under the system at any time under uniform procedures adopted by the Governing Board. Cancellation does not relieve the seller of its liability for remitting to the proper states any taxes collected.

Additionally, Indiana provides its own online registration system that allows sellers to register for collection of Indiana sales and use taxes exclusively. Indiana's online registration form (BT-1 Business Tax Application) can be accessed online at the Indiana Department of Revenue's website (www.in.gov/dor/4337.htm) Registration is \$25 for sellers with Indiana nexus and is free for out-of-state sellers without Indiana nexus.

Regardless of method used to register with the state of Indiana, the seller agrees to collect Indiana sales and use taxes for all taxable sales made into Indiana. ***However, registration for and collection of Indiana sales and use taxes does not create nexus with Indiana for state income tax purposes.***

Note: A seller may be registered by an agent. (See IC 6-2.5-11-10(a) regarding certified service providers). ***This agency appointment must be disclosed to the Department in writing at the time of registration.***

III. CERTIFIED SERVICE PROVIDERS

CERTIFIED SERVICE PROVIDER (CSP) is an **agent** certified under the Agreement to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases.

CERTIFIED AUTOMATED SYSTEM (CAS) is software certified under the Agreement used to (1) calculate the tax imposed by each jurisdiction on a transaction; (2) determine the amount of tax to remit to the appropriate state; and (3) maintain a record of the transaction.

IV. METHODS OF REMITTANCE

Sellers can register on the Streamlined Sales Tax Registration System online at www.sstregister.org/sellers/Entry.aspx When registering, the seller may select one of the following technology models (i.e., methods of remittance) to remit the Indiana sales and use taxes collected:

- A. MODEL 1, wherein a seller selects a CSP as an agent to perform all the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases. A seller that has selected a CSP as its agent to perform all of the seller's sales and use tax functions, other than the seller's obligation to remit tax on its own purchases, is a MODEL 1 SELLER.
- B. MODEL 2, wherein a seller selects a CAS to use to calculate the amount of tax due on a transaction. A seller that has selected a CAS to perform all of its sales and use tax functions but retains responsibility for remitting the tax is a MODEL 2 SELLER.
- C. MODEL 3, wherein a seller utilizes its own proprietary automated sales tax system that has been certified as a CAS. A seller that has sales in at least five member states, has total annual sales revenue of at least \$500 million, has a proprietary system that calculates the amount of tax due each jurisdiction, and has entered into a performance agreement with the member states that establishes a tax performance standard for the seller is a MODEL 3 SELLER.
- D. OTHER—**No Certified System**—For a seller that calculates its tax, prepares its own tax return, and files and pays sales tax via a system other than a Model 1, Model 2, or Model 3. Select this option if you are not using a CSP or CAS, nor have your own system that is certified by the member states.

V. DEFINED TERMS AND THE TAXABILITY MATRIX

The Agreement provides definitions of terms referenced within the Agreement. These standardized definitions and terms have been incorporated in each member state's conforming legislation. To ensure uniform application by the states of these defined terms, each member state is required to complete a taxability matrix adopted by the SSTP Governing Board. Each member state's entries in this matrix are maintained in a downloadable database in a format approved by the Governing Board. A member state shall provide notice of changes in the taxability of the products or services listed in the taxability matrix as required by the Governing Board. Indiana's taxability matrix is available online at www.in.gov/dor/3341.htm

Pursuant to IC 6-2.5-11-10, Indiana will relieve CSPs from liability for having charged and collected the incorrect amount of sales or use tax resulting from the seller or CSP relying on data contained in Indiana's taxability matrix.

A handwritten signature in black ink that reads "John Eckart". The signature is written in a cursive style with a large, looping initial "J".

John Eckart
Commissioner