



# Automobile Dealers Association of Indiana, Inc.

BULLETIN

Bulletin #1207 – August 27, 2012

## SALES TAX ALERT

Our retained law firm, Stewart & Irwin, has assisted several dealers throughout the state in processing claims for refund with the Indiana Department of Revenue for sales tax paid on fuel used in instances where the manufacturer requires that a new vehicle be delivered to the consumer with a full tank of fuel. The Indiana Department of Revenue is now engaged in the drafting of a Revenue Bulletin outlining the procedure to be followed for claiming the deduction for such purchases on a monthly basis. This deduction is not allowable in situations where the manufacturer does not mandate that the vehicle be filled with fuel for delivery nor does it apply where the dealer fills the tank of a used vehicle as a courtesy to the customer.

**GOING FORWARD:** Stewart & Irwin has spoken about the appropriate way to claim credit for the payment of taxes on dealership fuel purchases with the head of the Legal Section of the Indiana Department of Revenue. The Department's Procedures Section is drafting an appropriate release setting forth the policy to be followed. On an interim basis until further notice, we have reached agreement with Revenue Department on the following procedure: Line 2 of the Monthly Sales Tax reporting form, now filed electronically, is labeled "Exemptions/Deductions". The price paid for fuel for new car delivery should be separately tracked by the dealership and taken as a deduction from gross sales. NOTE: This does not apply to fuel purchases if you deliver used cars with a full tank of gas. It is only to be used in instances where the manufacturers require that a new vehicle be delivered with a full tank of gas.

Again, this procedure should be utilized by you going forward. You should keep a separate detailed monthly journal of these purchases so that you have them available in the event of an audit. Also for past months' sales taxes paid after the refund period, you may cumulatively deduct those purchases on a monthly return as deductions. Again, keep a detailed journal of these purchases by month so that you can justify them if the Department makes an inquiry or in the event of an audit. Once you are caught up, follow this procedure monthly.

For any further questions, please contact either Marty Murphy at the ADAI or Ron Smith or Donn Wray at Stewart & Irwin, 317-639-5454.