



Automobile Dealers Association of Indiana, Inc.

BULLETIN

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ALERT

NEW SALES TAX STATUTE ON OUT- OF- STATE SALES

Many Indiana dealers have been hit with sales tax assessments for failure to collect tax on sales to out of state residents where the customer picks the car up at the dealership in Indiana. For the last several years there has been a method available to dealers to make the sale exempt. Effective July 1, 2014, dealer's will be relieved from the cumbersome process of enforcing and documenting that burdensome procedure which allowed a sale to an out of state resident to be considered exempt. Your association very effectively lobbied both the Department of Revenue and the Legislature for this important beneficial change. There have been several border dealer audits resulting in the assessment of hundreds of thousands of dollars of tax. Also, from a competitive standpoint, since many surrounding states have a lower sales tax rate than Indiana, dealers were also at a competitive disadvantage with dealerships across the state line.

The new statute will cure that problem with a minimum amount of record keeping on the dealer's part. Simply put, the statute provides that the out of state customer will be charged an Indiana sales tax equivalent to the tax that would be paid to the state in which the customer resides. This will make Indiana border dealers competitive with the surrounding states. The tax will be calculated on the same basis that the customer's state of residence would tax a similar sale. For example, if that state allows a reduction in the taxable price for trade-in value, that method of calculation would apply to the Indiana sale and the states resulting rate will also apply.

The ADAI has available to dealers information on the tax calculations in various other states (go to the ADAI website, www.adai-inc.org , and click on "Sales Tax Comparison Chart"). Under the statute, the Indiana Department of Revenue must generate a form to be signed both by the out of state resident and the dealer attesting to certain facts in the transaction. The tax will be collected and remitted at the time that the dealer remits normally. The records must be kept and presented to an auditor upon request. Failure to present the records will result in the assessment of the tax to the State of Indiana. Of course, dealers are still free to deliver vehicles out of state, but you must keep more detailed records of the delivery, including getting a signed statement from the customer, bill of lading or other appropriate proof that the vehicle was delivered out of state.

For further information, please contact Ron Smith, Dave Duncan or Joel Nagle at Bose McKinney & Evans LLP, (317) 684-5000 or your association staff at (317) 635-1441.