

## *SALES TAX ON 'GAP' INSURANCE PRODUCTS*

ADAI contacted Indiana Department of Revenue (IDOR) regarding the taxability of "GAP" insurance sold at dealerships. Our contact searched the IDOR website for any documentation (Commissioner's Directives, Information Bulletins, Findings of Fact, etc) relating to the GAP question. Nothing was found. He then discussed the matter with other IDOR personnel asking if they knew of any documentation regarding the issue. Still nothing was found - in writing - to unquestionably support their policy listed below.

- **"GAP" Insurance Sold With the Purchase of Vehicles:**

- ◊ **Exempt if separately listed on Purchase Order.**

- Although there is no written support, IDOR auditors do not require collection of sales/use tax on GAP products which are separately listed on a vehicle purchase order.

- ◊ **Taxable if not listed separately.**

- If the purchase amount of a GAP product is 'lumped' in with the vehicle purchase price, the GAP amount is taxable.

- **"GAP" Insurance Sold With the Lease of Vehicles:**

- ◊ **Always Taxable.**

- IDOR's Information Bulletin #28L- July 2007 (Section III "Taxable Lease Amounts") states sales tax is based upon the total gross retail income received by the lessor. Indiana statute defines gross retail income for sales tax purposes to include the total gross receipts, *of any kind or nature*, received in a retail transaction by a retail merchant. IDOR considers GAP products to be included in this amount and therefore taxable.