

INFORMATION BULLETIN #21

SALES TAX

MAY 2002

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SUBJECT: Lawn Care Applications

REFERENCES: IC 6-2.5-1-1; IC 6-2.5-1-2; IC 6-2.5-2-1; IC 6-2.5-2-2; IC 6-2.5-3-2; IC 6-2.5-4-1; IC 6-2.5-5-8; 45 IAC 2.2-4-1

Introduction

The sales tax applies to the total gross income received for each lawn care application.

Sales by a Lawn Care Company

The relationship between a lawn care company and its customer is contractual. The customer agrees to pay a set price and the company agrees to apply the necessary chemicals to a lawn for its proper care and maintenance. The chemical cannot be purchased separately from the company and applied by the customer. A unitary transaction is the purchase of tangible personal property and services under a single agreement for which a total combined charge is calculated. A retail unitary transaction is a unitary transaction that is also a retail transaction. A retail transaction means a transaction that constitutes selling at retail. A lawn care application is a retail transaction because the lawn care company acquires tangible personal property (chemicals) and transfers them to its customers for consideration in the ordinary course of its regularly conducted business.

The sales tax is imposed on the gross retail income received in a retail unitary transaction. The gross retail income received includes the price of the property transferred plus any bona fide charges made for preparation, fabrication, alteration, modification, finishing, completion, delivery, or other service performed in respect to the property before its transfer. Because the chemicals are not transferred until they are applied to the lawn, the application charges are included in the company's gross retail income. Therefore, the entire contract price is subject to the Indiana sales tax.

Purchases by a Lawn Care Company

The purchase of chemicals by a lawn care company to be later furnished to a customer for lawn care treatment is a sale for resale and therefore exempt from the Indiana sales tax.

The purchase of tangible personal property other than chemicals for use in the lawn care business, such as chemical applicators, sprayers, and transport vehicles, is subject to the Indiana sales/use taxes.



Kenneth L. Miller
Commissioner