



March 13, 2007

**ENGROSSED  
SENATE BILL No. 502**

DIGEST OF SB 502 (Updated March 7, 2007 12:55 pm - DI 92)

**Citations Affected:** IC 6-2.5; noncode.

**Synopsis:** Taxation. Provides various sales and use tax definitions, changes, and additions to conform with the Streamlined Sales and Use Tax Agreement. Specifies that a person is a retail merchant making a retail transaction when the person: (1) leases an aircraft to another person; and (2) provides flight instruction services to the lessee during the term of the lease. Provides that the amount of gross retail income attributable to the retail transaction is the amount charged by the lessor for the lease of the aircraft used in conjunction with the flight instruction services provided to the lessee. Repeals an obsolete provision concerning software that may be used concurrently in more than one jurisdiction. Requires the governor and the commissioner of the department of state revenue to take the steps necessary for Indiana to become a member of the multistate tax commission and the multistate tax compact.

**Effective:** Upon passage; July 1, 2007; January 1, 2008; July 1, 2008.

**Kenley, Dillon**  
(HOUSE SPONSORS — KUZMAN, ESPICH)

January 18, 2007, read first time and referred to Committee on Tax and Fiscal Policy.  
January 29, 2007, amended, reported favorably — Do Pass.  
February 1, 2007, read second time, ordered engrossed. Engrossed.  
February 6, 2007, read third time, passed. Yeas 47, nays 0.

HOUSE ACTION

February 26, 2007, read first time and referred to Committee on Ways and Means.  
March 12, 2007, amended, reported — Do Pass.

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March 13, 2007

First Regular Session 115th General Assembly (2007)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2006 Regular Session of the General Assembly.

## ENGROSSED SENATE BILL No. 502

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 6-2.5-1-11.3 IS ADDED TO THE INDIANA  
2 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
3 [EFFECTIVE JULY 1, 2008]: **Sec. 11.3. "Ancillary services" means**  
4 **services that are associated with or incidental to the provision of**  
5 **telecommunication services, including the following:**

- 6 (1) **Detailed telecommunications billing.**
- 7 (2) **Directory assistance.**
- 8 (3) **Vertical services.**
- 9 (4) **Voice mail services.**

10 SECTION 2. IC 6-2.5-1-27.5 IS ADDED TO THE INDIANA  
11 CODE AS A **NEW** SECTION TO READ AS FOLLOWS  
12 [EFFECTIVE JULY 1, 2008]: **Sec. 27.5. (a) "Telecommunication**  
13 **services" means electronic transmission, conveyance, or routing of**  
14 **voice, data, audio, video, or any other information or signals to a**  
15 **point, or between or among points.**

16 (b) **The term includes a transmission, conveyance, or routing in**  
17 **which computer processing applications are used to act on the**

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1 form, code, or protocol of the content for purposes of transmission,  
 2 conveyance, or routing regardless of whether the service:  
 3 (1) is referred to as voice over Internet protocol services; or  
 4 (2) is classified by the Federal Communications Commission  
 5 as enhanced or value added.  
 6 (c) The term does not include the following:  
 7 (1) Data processing and information services that allow data  
 8 to be generated, acquired, stored, processed, or retrieved and  
 9 delivered by an electronic transmission to a purchaser whose  
 10 primary purpose for the underlying transaction is the  
 11 processed data or information.  
 12 (2) Installation or maintenance of wiring or equipment on a  
 13 customer's premises.  
 14 (3) Tangible personal property.  
 15 (4) Advertising, including but not limited to directory  
 16 advertising.  
 17 (5) Billing and collection services provided to third parties.  
 18 (6) Internet access service.  
 19 (7) Radio and television audio and video programming  
 20 services, regardless of the medium, including the furnishing  
 21 of transmission, conveyance, and routing of the services by the  
 22 programming service provider. Radio and television audio  
 23 and video programming services include cable service as  
 24 defined in 47 U.S.C. 522(6) and audio and video programming  
 25 services delivered by commercial mobile radio service  
 26 providers, as defined in 47 CFR 20.3.  
 27 (8) Ancillary services.  
 28 (9) Digital products delivered electronically, including the  
 29 following:  
 30 (A) Software.  
 31 (B) Music.  
 32 (C) Video.  
 33 (D) Reading materials.  
 34 (E) Ring tones.  
 35 SECTION 3. IC 6-2.5-4-6 IS AMENDED TO READ AS  
 36 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 6. (a) As used in  
 37 this section, "telecommunication services" means the transmission of  
 38 messages or information by or using wire, cable, fiber optics, laser,  
 39 microwave, radio, satellite, or similar facilities. The term does not  
 40 include value added services in which computer processing  
 41 applications are used to act on the form, content, code, or protocol of  
 42 the information for purposes other than transmission.

COPY



1           ~~(b)~~ (a) A person is a retail merchant making a retail transaction  
2 when the person:

- 3           (1) furnishes or sells an intrastate telecommunication service; and  
4           (2) receives gross retail income from billings or statements  
5           rendered to customers.

6           ~~(c)~~ (b) Notwithstanding subsection ~~(b)~~; (a), a person is not a retail  
7 merchant making a retail transaction when:

8           ~~(1)~~ the person provides, installs, constructs, services, or removes  
9 tangible personal property which is used in connection with the  
10 furnishing of the telecommunication services described in  
11 subsection (a);

12           ~~(2)~~ (1) the person furnishes or sells ~~the~~ telecommunication  
13 services described in subsection (a) to another person described  
14 in this section or in section 5 of this chapter;

15           ~~(3)~~ (2) the person furnishes telecommunications services  
16 described in subsection (a) to another person who is using a  
17 prepaid telephone calling card or prepaid telephone authorization  
18 number described in section 13 of this chapter; or

19           ~~(4)~~ (3) the person furnishes intrastate mobile telecommunications  
20 service (as defined in IC 6-8.1-15-7) to a customer with a place of  
21 primary use that is not located in Indiana (as determined under  
22 IC 6-8.1-15); or

23           (4) the person furnishes or sells telecommunications services  
24 to another person that include a transmission, conveyance, or  
25 routing in which computer processing applications are used  
26 to act on the form, code, or protocol of the content for  
27 purposes of transmission, conveyance, or routing, regardless  
28 of whether the telecommunications services are:

29           (A) referred to as a voice over Internet protocol service; or

30           (B) classified by the Federal Communications Commission  
31 as enhanced or value added.

32           ~~(d)~~ (c) Subject to IC 6-2.5-12 and IC 6-8.1-15, and notwithstanding  
33 subsections (a) and (b), and ~~(c)~~; if charges for telecommunication  
34 services not taxable under this article are aggregated with and not  
35 separately stated from charges subject to taxation under this article, the  
36 charges for nontaxable telecommunication services are subject to  
37 taxation unless the service provider can reasonably identify the charges  
38 not subject to the tax from the service provider's books and records  
39 kept in the regular course of business.

40           SECTION 4. IC 6-2.5-4-16 IS ADDED TO THE INDIANA CODE  
41 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
42 1, 2007]: **Sec. 16. (a) This section applies to transactions occurring**

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after June 30, 2007.

**(b) A person is a retail merchant making a retail transaction when the person:**

- (1) leases an aircraft to another person; and**
- (2) provides flight instruction services to the lessee during the term of the lease.**

**(c) The amount of gross retail income attributable to a retail transaction described in subsection (b) is the amount charged by the lessor for the lease of the aircraft used in conjunction with the flight instruction services provided to the lessee.**

SECTION 5. IC 6-2.5-8-8 IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 8. (a) A person, authorized under subsection (b), who makes a purchase in a transaction which is exempt from the state gross retail and use taxes, may issue an exemption certificate to the seller instead of paying the tax. The person shall issue the certificate on forms and in the manner prescribed by the department. A seller accepting a proper exemption certificate under this section has no duty to collect or remit the state gross retail or use tax on that purchase.

**(b) The following are the only persons authorized to issue exemption certificates:**

- (1) retail merchants, wholesalers, and manufacturers, who are registered with the department under this chapter;**
- (2) organizations which are exempt from the state gross retail tax under IC 6-2.5-5-21, IC 6-2.5-5-25, or IC 6-2.5-5-26 and which are registered with the department under this chapter; and**
- (3) other persons who are exempt from the state gross retail tax with respect to any part of their purchases.**

**(c) The department may also allow a person to issue a blanket exemption certificate to cover exempt purchases over a stated period of time. The department may impose conditions on the use of the blanket exemption certificate and restrictions on the kind or category of purchases that are exempt.**

**(d) A seller that accepts an incomplete exemption certificate under subsection (a) is not relieved of the duty to collect gross retail or use tax on the sale unless the seller obtains:**

- (1) a fully completed exemption certificate; or**
- (2) the relevant data to complete the exemption certificate; within ninety (90) days after the sale.**

**(e) If a seller has accepted an incomplete exemption certificate under subsection (a) and the department requests that the seller substantiate the exemption, within one hundred twenty (120) days**

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**after the department makes the request the seller shall:**  
**(1) obtain a fully completed exemption certificate; or**  
**(2) prove by other means that the transaction was not subject to state gross retail or use tax.**

SECTION 6. IC 6-2.5-11-10, AS AMENDED BY P.L.195-2005, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 10. (a) A certified service provider is the agent of a seller, with whom the certified service provider has contracted, for the collection and remittance of sales and use taxes. As the seller's agent, the certified service provider is liable for sales and use tax due each member state on all sales transactions it processes for the seller except as set out in this section. A seller that contracts with a certified service provider is not liable to the state for sales or use tax due on transactions processed by the certified service provider unless the seller misrepresented the type of items it sells or committed fraud. In the absence of probable cause to believe that the seller has committed fraud or made a material misrepresentation, the seller is not subject to audit on the transactions processed by the certified service provider. A seller is subject to audit for transactions not processed by the certified service provider. The member states acting jointly may perform a system check of the seller and review the seller's procedures to determine if the certified service provider's system is functioning properly and the extent to which the seller's transactions are being processed by the certified service provider.

(b) A person that provides a certified automated system is responsible for the proper functioning of that system and is liable to the state for underpayments of tax attributable to errors in the functioning of the certified automated system. A seller that uses a certified automated system remains responsible and is liable to the state for reporting and remitting tax.

(c) A seller that has a proprietary system for determining the amount of tax due on transactions and has signed an agreement establishing a performance standard for that system is liable for the failure of the system to meet the performance standard.

**(d) A certified service provider or a seller using a certified automated system that obtains a certification from the department is not liable for sales or use tax collection errors that result from reliance on the department's certification. If the department determines that an item or transaction is incorrectly classified as to the taxability of the item or transaction, the department shall notify the certified service provider or the seller using a certified automated system of the incorrect classification. The certified**

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1 service provider or the seller using a certified automated system  
 2 must revise the incorrect classification within ten (10) days after  
 3 receiving notice of the determination from the department. If the  
 4 classification error is not corrected within ten (10) days after  
 5 receiving the department's notice, the certified service provider or  
 6 the seller using a certified automated system is liable for failure to  
 7 collect the correct amount of sales or use tax due and owing.

8 (d) (e) The department shall allow any monetary allowances that are  
 9 provided by the member states to sellers or certified service providers  
 10 in exchange for collecting the sales and use taxes as provided in article  
 11 VI of the agreement.

12 SECTION 7. IC 6-2.5-11-11 IS ADDED TO THE INDIANA CODE  
 13 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
 14 JANUARY 1, 2008]: **Sec. 11. (a) This section applies only to**  
 15 **transactions occurring after December 31, 2008.**

16 (b) A purchaser is relieved from liability for penalties imposed  
 17 under IC 6-8.1-10-2.1 for failure to pay the amount of tax due if  
 18 any of the following occurs:

19 (1) A purchaser's seller or certified service provider relied on  
 20 erroneous data provided by the department regarding any of  
 21 the following:

- 22 (A) Tax rates.
- 23 (B) Boundaries.
- 24 (C) Taxing jurisdiction assignments.
- 25 (D) The taxability matrix.

26 (2) A purchaser with a direct pay permit relied on erroneous  
 27 data provided by the department regarding any of the  
 28 following:

- 29 (A) Tax rates.
- 30 (B) Boundaries.
- 31 (C) Taxing jurisdiction assignments.
- 32 (D) The taxability matrix.

33 (3) A purchaser relied on erroneous data in the taxability  
 34 matrix provided by the department.

35 (c) The department shall relieve a purchaser from liability for  
 36 tax and interest for having failed to pay the correct amount of sales  
 37 or use tax in the circumstances described in subsection (b),  
 38 provided that the relief is limited to tax and interest attributable to  
 39 the department's erroneous classification in the taxability matrix  
 40 of terms:

- 41 (1) included as taxable or exempt;
- 42 (2) included in the sales price;

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1           **(3) excluded from the sales price;**

2           **(4) included in a definition; or**

3           **(5) excluded from a definition.**

4           SECTION 8. IC 6-2.5-11-12 IS ADDED TO THE INDIANA CODE  
5 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
6 JANUARY 1, 2008]: **Sec. 12. (a) The department shall review**  
7 **software submitted to the governing board for certification as a**  
8 **certified automated system. The review is to determine that the**  
9 **program adequately classifies product based exemptions granted**  
10 **under IC 6-2.5-5. Upon satisfactory completion of the review, the**  
11 **department shall certify to the governing board the department's**  
12 **acceptance of the classifications made by the system.**

13           **(b) The governing board and the member states are not**  
14 **responsible for classification of an item or transaction within the**  
15 **product based exemptions certified by the department. The relief**  
16 **from liability provided in this section is not available to a certified**  
17 **service provider or Model 2 seller that has incorrectly classified an**  
18 **item or transaction into a product based exemption certified by the**  
19 **department. This subsection does not apply to the individual listing**  
20 **of items or transactions within a product definition approved by**  
21 **the governing board or the member states.**

22           **(c) If the department determines that an item or transaction is**  
23 **incorrectly classified as to the taxability of the item or transaction,**  
24 **the department shall notify the certified service provider or Model**  
25 **2 seller of the incorrect classification. The certified service**  
26 **provider or Model 2 seller must revise the classification within ten**  
27 **(10) days after receiving notice of the determination from the**  
28 **department. If the classification error is not corrected within ten**  
29 **(10) days after receiving the department's notice, the certified**  
30 **service provider or Model 2 seller is liable for failure to collect the**  
31 **correct amount of sales or use tax due and owing.**

32           SECTION 9. IC 6-2.5-12-10 IS AMENDED TO READ AS  
33 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: **Sec. 10. As used in**  
34 **this chapter, "post paid calling service" means the telecommunications**  
35 **service obtained by making a payment on a call by call basis either**  
36 **through the use of a credit card or payment mechanism such as a bank**  
37 **card, travel card, credit card, or debit card, or by charge made to a**  
38 **telephone number that is not associated with the origination or**  
39 **termination of the telecommunications service. A post paid calling**  
40 **service includes a telecommunications service, **except a prepaid****  
41 **wireless calling service, that would be a prepaid calling service except**  
42 **it is not exclusively a telecommunications service.**

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1 SECTION 10. IC 6-2.5-12-11.5 IS ADDED TO THE INDIANA  
2 CODE AS A NEW SECTION TO READ AS FOLLOWS  
3 [EFFECTIVE JANUARY 1, 2008]: **Sec. 11.5. As used in this chapter,**  
4 **"prepaid wireless calling service" means a telecommunications**  
5 **service that provides the right to utilize mobile wireless service as**  
6 **well as other nontelecommunications services, including the**  
7 **download of content, digital products delivered electronically, and**  
8 **ancillary services, which:**

- 9 (1) **must be paid for in advance; and**  
10 (2) **is sold in predetermined units or dollars, the balance of**  
11 **which declines with use in a known amount.**

12 SECTION 11. IC 6-2.5-12-16 IS AMENDED TO READ AS  
13 FOLLOWS [EFFECTIVE JANUARY 1, 2008]: Sec. 16. The sale of  
14 the following telecommunications services shall be sourced to each  
15 level of taxing jurisdiction as follows:

- 16 (1) A sale of mobile telecommunications services, other than air  
17 to ground radiotelephone service and prepaid calling service, is  
18 sourced to the customer's place of primary use as required by the  
19 Mobile Telecommunications Sourcing Act and IC 6-8.1-15.  
20 (2) A sale of post paid calling service is sourced to the origination  
21 point of the telecommunications signal as first identified by  
22 either:

- 23 (A) the seller's telecommunications system; or  
24 (B) information received by the seller from its service  
25 provider, where the system used to transport such signals is  
26 not that of the seller.

27 (3) A sale of prepaid calling service **or a sale of prepaid wireless**  
28 **calling service** is sourced in the following manner:

- 29 (A) When the service is received by the purchaser at a  
30 business location of the seller, the sale is sourced to that  
31 business location.  
32 (B) When the service is not received by the purchaser at a  
33 business location of the seller, the sale is sourced to the  
34 location where receipt by the purchaser (or the purchaser's  
35 donee, designated as such by the purchaser) occurs, including  
36 the location indicated by instructions for delivery to the  
37 purchaser (or donee), known to the seller.  
38 (C) When clauses (A) and (B) do not apply, the sale is sourced  
39 to the location indicated by an address for the purchaser that  
40 is available from the business records of the seller that are  
41 maintained in the ordinary course of the seller's business when  
42 use of this address does not constitute bad faith.

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(D) When clauses (A) through (C) do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith.

(E) When clauses (A) through (D) do not apply, including the circumstance in which the seller is without sufficient information to apply the previous clauses, the location will be determined by either:

- (i) the address from which tangible personal property was shipped, from which any digital good or computer software delivered electronically was first available for transmission by the seller, or from which the service was provided (disregarding for these purposes any location that merely provided the digital transfer of the product sold); or
- (ii) in the case of a sale of mobile telecommunications service that is a prepaid telecommunications service, the location associated with the mobile telephone number.

(4) A sale of a private communications service is sourced as follows:

- (A) Service for a separate charge related to a customer channel termination point is sourced to each level of jurisdiction in which such customer channel termination point is located.
- (B) Service where all customer termination points are located entirely within one (1) jurisdiction or level of jurisdiction is sourced in such jurisdiction in which the customer channel termination points are located.
- (C) Service for segments of a channel between two (2) customer channel termination points located in different jurisdictions and which segments of channel are separately charged is sourced fifty percent (50%) in each level of jurisdiction in which the customer channel termination points are located.
- (D) Service for segments of a channel located in more than one (1) jurisdiction or level of jurisdiction and which segments are not separately billed is sourced in each jurisdiction based on the percentage determined by dividing the number of customer channel termination points in such jurisdiction by the total number of customer channel termination points.

SECTION 12. IC 6-2.5-13-1, AS AMENDED BY P.L.153-2006, SECTION 6, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE

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1 JANUARY 1, 2008]: Sec. 1. (a) As used in this section, the terms  
 2 "receive" and "receipt" mean:  
 3 (1) taking possession of tangible personal property;  
 4 (2) making first use of services; or  
 5 (3) taking possession or making first use of digital goods;  
 6 whichever comes first. The terms "receive" and "receipt" do not include  
 7 possession by a shipping company on behalf of the purchaser.  
 8 (b) This section:  
 9 (1) applies regardless of the characterization of a product as  
 10 tangible personal property, a digital good, or a service;  
 11 (2) applies only to the determination of a seller's obligation to pay  
 12 or collect and remit a sales or use tax with respect to the seller's  
 13 retail sale of a product; and  
 14 (3) does not affect the obligation of a purchaser or lessee to remit  
 15 tax on the use of the product to the taxing jurisdictions of that use.  
 16 (c) This section does not apply to sales or use taxes levied on the  
 17 following:  
 18 (1) The retail sale or transfer of watercraft, modular homes,  
 19 manufactured homes, or mobile homes. These items must be  
 20 sourced according to the requirements of this article.  
 21 (2) The retail sale, excluding lease or rental, of motor vehicles,  
 22 trailers, semitrailers, or aircraft that do not qualify as  
 23 transportation equipment, as defined in subsection (g). The retail  
 24 sale of these items shall be sourced according to the requirements  
 25 of this article, and the lease or rental of these items must be  
 26 sourced according to subsection (f).  
 27 (3) Telecommunications services, ~~as set forth in IC 6-2.5-12,~~  
 28 **ancillary services, and Internet access service** shall be sourced  
 29 in accordance with IC 6-2.5-12.  
 30 (d) The retail sale, excluding lease or rental, of a product shall be  
 31 sourced as follows:  
 32 (1) When the product is received by the purchaser at a business  
 33 location of the seller, the sale is sourced to that business location.  
 34 (2) When the product is not received by the purchaser at a  
 35 business location of the seller, the sale is sourced to the location  
 36 where receipt by the purchaser (or the purchaser's donee,  
 37 designated as such by the purchaser) occurs, including the  
 38 location indicated by instructions for delivery to the purchaser (or  
 39 donee), known to the seller.  
 40 (3) When subdivisions (1) and (2) do not apply, the sale is  
 41 sourced to the location indicated by an address for the purchaser  
 42 that is available from the business records of the seller that are

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1 maintained in the ordinary course of the seller's business when  
2 use of this address does not constitute bad faith.

3 (4) When subdivisions (1), (2), and (3) do not apply, the sale is  
4 sourced to the location indicated by an address for the purchaser  
5 obtained during the consummation of the sale, including the  
6 address of a purchaser's payment instrument, if no other address  
7 is available, when use of this address does not constitute bad  
8 faith.

9 (5) When none of the previous rules of subdivision (1), (2), (3),  
10 or (4) apply, including the circumstance in which the seller is  
11 without sufficient information to apply the previous rules, then the  
12 location will be determined by the address from which tangible  
13 personal property was shipped, from which the digital good or the  
14 computer software delivered electronically was first available for  
15 transmission by the seller, or from which the service was provided  
16 (disregarding for these purposes any location that merely provided  
17 the digital transfer of the product sold).

18 (e) The lease or rental of tangible personal property, other than  
19 property identified in subsection (f) or (g), shall be sourced as follows:

20 (1) For a lease or rental that requires recurring periodic payments,  
21 the first periodic payment is sourced the same as a retail sale in  
22 accordance with the provisions of subsection (d). Periodic  
23 payments made subsequent to the first payment are sourced to the  
24 primary property location for each period covered by the payment.  
25 The primary property location shall be as indicated by an address  
26 for the property provided by the lessee that is available to the  
27 lessor from its records maintained in the ordinary course of  
28 business, when use of this address does not constitute bad faith.  
29 The property location shall not be altered by intermittent use at  
30 different locations, such as use of business property that  
31 accompanies employees on business trips and service calls.

32 (2) For a lease or rental that does not require recurring periodic  
33 payments, the payment is sourced the same as a retail sale in  
34 accordance with the provisions of subsection (d).

35 This subsection does not affect the imposition or computation of sales  
36 or use tax on leases or rentals based on a lump sum or an accelerated  
37 basis, or on the acquisition of property for lease.

38 (f) The lease or rental of motor vehicles, trailers, semitrailers, or  
39 aircraft that do not qualify as transportation equipment, as defined in  
40 subsection (g), shall be sourced as follows:

41 (1) For a lease or rental that requires recurring periodic payments,  
42 each periodic payment is sourced to the primary property location.

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1 The primary property location shall be as indicated by an address  
2 for the property provided by the lessee that is available to the  
3 lessor from its records maintained in the ordinary course of  
4 business, when use of this address does not constitute bad faith.  
5 This location shall not be altered by intermittent use at different  
6 locations.

7 (2) For a lease or rental that does not require recurring periodic  
8 payments, the payment is sourced the same as a retail sale in  
9 accordance with the provisions of subsection (d).

10 This subsection does not affect the imposition or computation of sales  
11 or use tax on leases or rentals based on a lump sum or accelerated  
12 basis, or on the acquisition of property for lease.

13 (g) The retail sale, including lease or rental, of transportation  
14 equipment shall be sourced the same as a retail sale in accordance with  
15 the provisions of subsection (d), notwithstanding the exclusion of lease  
16 or rental in subsection (d). As used in this subsection, "transportation  
17 equipment" means any of the following:

18 (1) Locomotives and railcars that are used for the carriage of  
19 persons or property in interstate commerce.

20 (2) Trucks and truck-tractors with a gross vehicle weight rating  
21 (GVWR) of ten thousand one (10,001) pounds or greater, trailers,  
22 semitrailers, or passenger buses that are:

23 (A) registered through the International Registration Plan; and

24 (B) operated under authority of a carrier authorized and  
25 certificated by the U.S. Department of Transportation or  
26 another federal authority to engage in the carriage of persons  
27 or property in interstate commerce.

28 (3) Aircraft that are operated by air carriers authorized and  
29 certificated by the U.S. Department of Transportation or another  
30 federal or a foreign authority to engage in the carriage of persons  
31 or property in interstate or foreign commerce.

32 (4) Containers designed for use on and component parts attached  
33 or secured on the items set forth in subdivisions (1) through (3).

34 (h) This subsection applies to retail sales of floral products that  
35 occur before January 1, 2008. Notwithstanding subsection (d), a retail  
36 sale of floral products in which a florist or floral business:

37 (1) takes a floral order from a purchaser; and

38 (2) transmits the floral order by telegraph, telephone, or other  
39 means of communication to another florist or floral business for  
40 delivery;

41 is sourced to the location of the florist or floral business that originally  
42 takes the floral order from the purchaser.

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1 SECTION 13. IC 6-2.5-13-2 IS REPEALED [EFFECTIVE UPON  
2 PASSAGE].

3 SECTION 14. [EFFECTIVE JULY 1, 2007] (a) **The governor and  
4 the commissioner of the department of state revenue shall take the  
5 steps necessary for Indiana to become a member of the Multistate  
6 Tax Commission (444 North Capital Street, NW, Suite 425,  
7 Washington, DC 20001-1538) and the Multistate Tax Compact. As  
8 provided in the Multistate Tax Compact, the commissioner of the  
9 department of state revenue or the commissioner's designee may  
10 serve as a member of the Multistate Tax Commission.**

11 (b) **The governor may appoint an advisory board of elected  
12 officials from Indiana's political subdivisions to advise the  
13 commissioner on matters related to the Multistate Tax Compact.  
14 Not more than the smallest possible majority of the members of the  
15 advisory group may be members of the same political party.**

16 (c) **There is appropriated the amount necessary to the  
17 department of state revenue from the state general fund to pay the  
18 dues and costs related to becoming a member of the Multistate Tax  
19 Commission, beginning July 1, 2007, and ending June 30, 2009.**

20 (d) **Not later than September 1, 2007, the commissioner of the  
21 department of state revenue shall submit a report to the general  
22 assembly in an electronic format under IC 5-14-6 identifying the  
23 statutory changes and appropriations necessary to participate as  
24 a full member of the Multistate Tax Commission and the  
25 Multistate Tax Compact.**

26 SECTION 15. **An emergency is declared for this act.**

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COMMITTEE REPORT

Madam President: The Senate Committee on Tax and Fiscal Policy, to which was referred Senate Bill No. 502, has had the same under consideration and begs leave to report the same back to the Senate with the recommendation that said bill be AMENDED as follows:

Page 3, line 18, strike "or".

Page 3, line 22, delete "IC 6-8.1-15)." and insert "IC 6-8.1-15); or

**(4) the person furnishes or sells telecommunications services to another person that include a transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing, regardless of whether the telecommunications services are:**

**(A) referred to as a voice over Internet protocol service; or**

**(B) classified by the Federal Communications Commission as enhanced or value added."**

and when so amended that said bill do pass.

(Reference is to SB 502 as introduced.)

KENLEY, Chairperson

Committee Vote: Yeas 9, Nays 1.

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COMMITTEE REPORT

Mr. Speaker: Your Committee on Ways and Means, to which was referred Senate Bill 502, has had the same under consideration and begs leave to report the same back to the House with the recommendation that said bill be amended as follows:

Delete the title and insert the following:

A BILL FOR AN ACT to amend the Indiana Code concerning taxation and to make an appropriation.

Page 3, between lines 39 and 40, begin a new paragraph and insert:

"SECTION 4. IC 6-2.5-4-16 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2007]: **Sec. 16. (a) This section applies to transactions occurring after June 30, 2007.**

**(b) A person is a retail merchant making a retail transaction when the person:**

**(1) leases an aircraft to another person; and**



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**(2) provides flight instruction services to the lessee during the term of the lease.**

**(c) The amount of gross retail income attributable to a retail transaction described in subsection (b) is the amount charged by the lessor for the lease of the aircraft used in conjunction with the flight instruction services provided to the lessee."**

Page 12, between lines 31 and 32, begin a new paragraph and insert:

**"SECTION 14. [EFFECTIVE JULY 1, 2007] (a) The governor and the commissioner of the department of state revenue shall take the steps necessary for Indiana to become a member of the Multistate Tax Commission (444 North Capital Street, NW, Suite 425, Washington, DC 20001-1538) and the Multistate Tax Compact. As provided in the Multistate Tax Compact, the commissioner of the department of state revenue or the commissioner's designee may serve as a member of the Multistate Tax Commission.**

**(b) The governor may appoint an advisory board of elected officials from Indiana's political subdivisions to advise the commissioner on matters related to the Multistate Tax Compact. Not more than the smallest possible majority of the members of the advisory group may be members of the same political party.**

**(c) There is appropriated the amount necessary to the department of state revenue from the state general fund to pay the dues and costs related to becoming a member of the Multistate Tax Commission, beginning July 1, 2007, and ending June 30, 2009.**

**(d) Not later than September 1, 2007, the commissioner of the department of state revenue shall submit a report to the general assembly in an electronic format under IC 5-14-6 identifying the statutory changes and appropriations necessary to participate as a full member of the Multistate Tax Commission and the Multistate Tax Compact."**

Renumber all SECTIONS consecutively.

and when so amended that said bill do pass.

(Reference is to SB 502 as printed January 30, 2007.)

CRAWFORD, Chair

Committee Vote: yeas 19, nays 0.

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