

---

**DEPARTMENT OF STATE REVENUE**  
**Revenue Ruling #2008-16 ST**  
**November 14, 2008**

**NOTICE:** Under [IC 4-22-7-7](#), this document is required to be published in the Indiana Register and is effective on its date of publication. It shall remain in effect until the date it is superseded or deleted by the publication of a new document in the Indiana Register. The publication of this document will provide the general public with information about the Department's official position concerning a specific issue.

**ISSUES**

**Sales/Use Tax – Service Charges**

**Authority:** [IC 6-2.5-1-2](#), [IC 6-2.5-1-27](#), [IC 6-2.5-2-1](#), [IC 6-2.5-3-2](#), [IC 6-2.5-4-1](#)

Taxpayer requests that the Department rule on the taxability of the following charges:

1. Implementation Fee – a one time fee assessed to the customer for delivery to and connection of a Taxpayer-owned machine at the customer's site.
2. Web Hosting Fee – an annual fee assessed to the customer in exchange for service via internet that allows the customer to review usage reports and for Taxpayer to determine the customer's stocking needs.
3. Management Fee – an annual fee assessed to the customer for Taxpayer's employees to travel to customer's site and stock the vending machine.
4. Process Fee – an annual fee assessed to the customer due to increased overhead associated with the payment option chosen by the customer.

**STATEMENT OF FACTS**

Taxpayer is a company that sells industrial, construction, and safety supplies. Taxpayer intends to place Taxpayer's vending machines, under contract, at various business locations to dispense supplies that Taxpayer sells and those businesses use. Taxpayer wants to know the taxability of four types of fees may be charged to the businesses. Each fee is separated on the Taxpayer's invoices to its customers.

**DISCUSSION**

[IC 6-2.5-2-1](#), [IC 6-2.5-3-2](#), and [IC 6-2.5-4-1](#) require payment of sales or use tax on retail transactions involving tangible personal property. Services are not subject to sales or use tax in Indiana unless the services are part of a unitary transaction involving tangible personal property. The fees that Taxpayer charges are service charges that do not involve the exchange of tangible personal property.

**RULING**

Are implementation fees, web hosting fees, management fees, or process fees taxable?

The Department rules that none of these fees are taxable. Because no tangible personal property is exchanged, these transactions are service charges and are not subject to taxation in Indiana.

**CAVEAT**

This ruling is issued to the taxpayer requesting it on the assumption that the taxpayer's facts and circumstances, as stated herein are correct. If the facts and circumstances given are not correct, or if they change, then the taxpayer requesting this ruling may not rely on it. However, other taxpayers with substantially identical factual situations may rely on this ruling for informational purposes in preparing returns and making tax decisions. If a taxpayer relies on this ruling and the Department discovers, upon examination, that the fact situation of the taxpayer is different in any material respect from the facts and circumstances given in this ruling, then the ruling will not afford the taxpayer any protection. It should be noted that subsequent to the publication of this ruling a change in statute, regulation, or case law could void the ruling. If this occurs, the ruling will not afford the taxpayer any protection.

*Posted: 12/17/2008 by Legislative Services Agency*  
An [html](#) version of this document.