

DEPARTMENT OF STATE REVENUE

Information Bulletin #84
Sales Tax
June 2014
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SUBJECT: Sales Tax Collection on Sales of Motor Vehicles

REFERENCES: [IC 6-2.5-2-3](#)

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SUMMARY

SEA 0367-2014 provides that a motor vehicle purchased for use and registration outside of Indiana shall be taxed at the rate of the state or country in which the purchaser intends to title and register the vehicle. This bulletin provides guidance on to how to determine the appropriate tax rate and how to submit the appropriate documentation.

INTRODUCTION

As a general matter, the sales tax rate imposed on all retail transactions in Indiana is listed as being seven percent (7%). However, the General Assembly has enacted legislation (SEA 0367-2014) specifically directed toward the sales of vehicles to individuals or entities that intend to title and register the vehicle for use in another state or country. Effective July 1, 2014, the sales tax rate imposed on such sales will be the state-level sales tax rate of the state in which the vehicle will be titled and/or registered.

DEFINITIONS

The term "motor vehicle" means a vehicle that would be subject to the annual license excise tax imposed under [IC 6-6-5](#) if the vehicle were to be used in Indiana.

DETERMINATION OF THE TAX RATE

Beginning on July 1, 2014, when the purchaser of a motor vehicle intends to both (a) transport that motor vehicle to a destination outside Indiana within 30 days after delivery, and (b) title and register that motor vehicle for use in another state or country, the rate at which sales tax is to be imposed and collected on the sale is the rate of the intended destination state or country. A list of sales tax rates for other states is available on the department's website.

The sales tax rates of the other states are inclusive of only state-level rates. Any locally imposed sales tax rates in the other states are not included in the rates Indiana dealers will be required to collect. Additionally, the statutory language of [IC 6-2.5-2-3](#) only requires the application of the destination state's state-level sales tax rate to the sale of a motor vehicle that is to be titled and registered for use in another state. Accordingly, the destination state's sales tax rate is the only aspect of that state's laws that will be incorporated by virtue of [IC 6-2.5-2-3](#). The statute does not require the incorporation of other aspects of a state's laws relating to transactions involving vehicles.

- **Example #1:** Customer, who is a resident of State X, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in State X. In connection with Customer's purchase of a motor vehicle from the Indiana dealership, Customer intends to trade in her old vehicle. With respect to motor vehicle sales, State X limits the value of a like kind exchange (for purposes of reducing the amount of gross retail income on which sales tax is imposed) to \$2,000, while Indiana imposes no such limit. Therefore, when Customer trades in her old vehicle, the value of her like kind exchange will not be limited to \$2,000.

An Indiana dealer will only be required to collect sales tax at the destination state's rate up to Indiana's rate of 7%.

Regardless of whether the destination state or country's rate is greater than 7%, the maximum sales tax rate to be imposed on the purchase of a vehicle from an Indiana dealer is 7%.

If the destination state does not impose a sales tax, either in general or on purchases of vehicles, then no sales tax is to be collected by the Indiana dealership.

- **Example #2:** Customer, who is a resident of Montana, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in Montana. Currently, Montana does not impose any sales tax. As such, the Indiana dealership would not have to charge Customer any sales tax on the purchase of the motor vehicle (though Customer and the dealership would still have to fill out the ST-108NR).
- **Example #3:** Customer, who is a resident of the state of Georgia, comes into Indiana to buy a motor vehicle from a dealership in Indiana. Customer intends to title and register the vehicle for use in Georgia. In Georgia, the state's sales tax is not imposed on purchases of vehicles, but the state does impose an ad valorem tax on such purchases. Because an ad valorem tax is not a sales tax, the Indiana dealership would not be required to collect sales tax at the Georgia ad valorem tax rate. Furthermore, because Georgia's sales tax is not imposed on purchases of motor vehicles, the Indiana dealership would not collect sales tax at any rate (though Customer and the dealership would still have to fill out the ST-108NR).

Lastly, these statutes and the administration thereof apply only to transactions that are sourced to Indiana pursuant to [IC 6-2.5-13](#) et seq. More to the point, these statutes apply only to intrastate transactions in which the customer actually receives the vehicle here in Indiana. Nothing about this statutory regime impacts transactions that are in interstate commerce.

- **Example #4:** Customer, who is a resident of Oklahoma, purchases a motor vehicle from an Indiana dealership. Customer makes the purchase via the Internet and has the motor vehicle shipped to him via third-party common carrier. Regardless of who arranges the shipping of the vehicle, because this transaction would be considered to be in interstate commerce, the Indiana dealership would not need to collect sales tax from the Customer at either the Indiana or Oklahoma sales tax rate.

For further information related to sales made in interstate commerce, please refer to Sales Tax Information Bulletin #28S.

ADMINISTRATION

When an Indiana dealership sells a motor vehicle to a customer who intends to title and register the vehicle for use in a state other than Indiana, the dealership and customer must complete the ST-108NR, available online on the department's website. The dealership must keep a copy of each completed ST-108NR on file to document the buyer's information and the amount of tax collected for each transaction.

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Commissioner

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