
DEPARTMENT OF STATE REVENUE**Information Bulletin #36
Sales Tax
October 2022
Effective Date: Upon Publication
(Replaces Bulletin #36, dated December 2002)****SUBJECT:** Water Conditioning Companies**REFERENCES:** [IC 6-2.5-4-3](#); [45 IAC 2.2-4-6](#); [45 IAC 2.2-4-7](#)

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SUMMARY OF CHANGES

Aside from technical, nonsubstantive changes, the bulletin has been updated to add references to the exemption certificates required to provide a vendor.

INTRODUCTION

The purpose of this bulletin is to provide guidance concerning taxable transactions involving the sale, lease, or rental of water conditioners. The term "water conditioner" includes all automatic softeners, softener tanks, exchange tanks, purifiers, chlorinators or similar devices, and minerals contained in water conditioning systems which act to condition, purify, soften or rejuvenate water.

TAXATION OF SALES OF WATER CONDITIONING PRODUCTS

Any water conditioning company or soft water conditioning company which sells, rents, or leases tangible personal property must register with the department as a retail merchant. Every water conditioning company is required to collect and remit Indiana sales tax on the sale of such property.

Sales tax is not due on the sale or rental of water conditioning products if the purchaser qualifies for an exemption. A qualified purchaser must present a valid exemption certificate to the seller at the time of purchase, either Form ST-105 or the Streamlined Sales Tax exemption certificate (SSTGB Form F0003).

TAXATION ON RENTAL OF WATER CONDITIONERS

A company is required to collect sales tax on the rental or leasing of water conditioners. A water conditioner furnished for a monthly or periodic charge, or a water conditioner leased with an option to purchase, is also subject to sales tax on the amount charged. Sales tax is also due on acquiring an option to purchase a water softener as well as on a water softener acquired pursuant to an option to purchase contract.

SALES TAX ON MATERIALS USED TO INSTALL OR REPAIR EQUIPMENT

Sales tax is due on any materials used to make modifications to accommodate water conditioning equipment (including plumbing) and billed separately from the price of the water softening equipment. If the materials used for installation purposes are not billed as a separate item, the water conditioner company is considered the user of those materials and is therefore liable for use tax.

Example: A company sells and installs a water softener. The cost of the softener is \$400, and the cost of the installation materials is \$100. The customer is only billed for the cost of the softener, or \$400. Therefore, the company is liable for the use tax on the \$100 cost of the materials.

SALES TAX ON MATERIALS USED IN WATER CONDITIONING EQUIPMENT

The purchase of salt and other materials and equipment used to rejuvenate water tanks or water tank minerals is subject to sales tax. Sales tax is also due on all utilities.

Robert J. Grennes, Jr.
Commissioner

