

## **INFORMATION BULLETIN #36**

### **SALES TAX**

**DECEMBER 2002**

**(Replaces Bulletin #36 dated June 1995)**

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUBJECT:** Water Conditioning Companies

**REFERENCES:** IC 6-2.5-4-3; 45 IAC 2.2-4-6; 45 IAC 2.2-4-7

### **INTRODUCTION**

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 Indiana Department of Revenue as a retail merchant. Every water conditioning company is required to collect and remit Indiana gross retail 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.

## **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.

## **RELATED MATTERS**

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 four hundred dollars (\$400), and the cost of the installation materials is one hundred dollars (\$100). The customer is only billed for the cost of the softener, or four hundred dollars (\$400). Therefore, the seller is liable for use tax on the one hundred dollars (\$100), cost of the materials.

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.

A handwritten signature in cursive script that reads "Kenneth L. Miller".

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Kenneth L. Miller  
Commissioner