

## **INFORMATION BULLETIN #38**

### **SALES TAX**

**DECEMBER 2002**

**(Replaces Bulletin #38, dated July 2, 1984)**

**DISCLAIMER:** Information Bulletins are intended to provide non-technical 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:** Application of Sales Tax to Direct Payment Permit Holders

**REFERENCE:** IC 6-2.5-8-9

Registered retail merchants, wholesalers, and manufacturers may apply for a Direct Payment Permit, which enables them to remit use tax directly to the state rather than paying sales tax to their suppliers.

Direct Payment Permits are issued only when the following conditions are established:

1. The taxpayer normally buys substantial quantities of tangible personal property which may be used for either an exempt or non-exempt purpose.
2. There is no reasonable way that the exempt or non-exempt use can be determined at the time of purchase.
3. Adequate records will be maintained by the taxpayer showing the ultimate use of all tangible personal property purchased and the amount of use tax remitted.

Direct Payment Permits may not be used for the purchase of utilities, motor vehicles required to be licensed for highway use, and aircraft or watercraft required to be registered with this state.

Holders of Direct Payment Permits are required to file a copy of their Direct Payment Permit with their suppliers in lieu of an exemption certificate. A Direct Payment Permit does not expire and is valid until revoked by the Department.

The tax due must be reported as use tax on the sales tax return of the Direct Pay Permit holder.



Kenneth L. Miller  
Commissioner